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6.6

2,949

6.6

Total recorded investment
48,463

100.0
%

44,375

100.0
%
Less: valuation allowances
238

214

Carrying value, net of valuation allowances
$
48,225

$
44,161

Property Type

Office
$
23,995

49.5
%

$
22,602

50.9
%
Retail
9,089

18.7

8,032

18.1

Apartment
7,018

14.5

6,113

13.8

Industrial
3,719

7.7

3,125

7.0

Hotel
3,479

7.2

3,620

8.2

Other
1,163

2.4

883

2.0

Total recorded investment
48,463

100.0
%

44,375

100.0
%
Less: valuation allowances
238

214

Carrying value, net of valuation allowances

$
48,225

$
44,161

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Mortgage Loan Credit Quality — Monitoring Process. We monitor our mortgage loan investments on an ongoing basis, including a review of loans that are current, past due, restructured and under foreclosure. See Note 8 of the Notes to the Consolidated Financial Statements for tables that present mortgage loans by credit quality indicator, past due and nonaccrual mortgage loans, impaired loans, as well as the carrying value of foreclosed mortgage loans included in real estate and real estate joint ventures.

We review our 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, 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 mortgage loans is generally similar, with a focus on higher risk loans, such as loans with higher loan-to-value ratios, including reviews on a geographic and sector basis. We review our residential mortgage loans on an ongoing basis. See Note 8 of the Notes to the Consolidated Financial Statements for information on our evaluation of residential mortgage loans and related valuation allowance methodology.

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 are a common measure in the assessment of the quality of agricultural 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. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. 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. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average loan-to-value ratio was 55% and 54% at December 31, 2018 and 2017, respectively, and our average debt service coverage ratio was 2.5x and 2.7x at December 31, 2018 and 2017, respectively. The debt service coverage ratio, as well as the values utilized in calculating the ratio, is updated annually on a rolling basis, with a portion of the portfolio updated each quarter. In addition, the loan-to-value ratio is routinely updated for all but the lowest risk loans as part of our ongoing review of our commercial mortgage loan portfolio. For our agricultural mortgage loans, our average loan-to-value ratio was 46% and 44% at December 31, 2018 and 2017, respectively. The values utilized in calculating the agricultural mortgage loan loan-to-value ratio are developed in connection with the ongoing review of the agricultural loan portfolio and are routinely updated.

Mortgage Loan Valuation Allowances. Our 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 we expect to incur a loss. Accordingly, a valuation allowance is provided to absorb these estimated probable credit losses.

The determination of the amount of valuation allowances is based upon our periodic evaluation and assessment of known and inherent risks associated with our loan portfolios. Such evaluations and assessments are based upon several factors, including our 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, which can cause the valuation allowances to increase or decrease over time as such evaluations are revised. Negative credit migration, including an actual or expected increase in the level of problem loans, will result in an increase in the valuation allowance. Positive credit migration, including an actual or expected decrease in the level of problem loans, will result in a decrease in the valuation allowance.

See Note 8 of the Notes to the Consolidated Financial Statements for information about how valuation allowances are established and monitored and activity in and balances of the valuation allowance as of and for the years ended December 31, 2018, 2017 and 2016.

Real Estate and Real Estate Joint Ventures

Real estate and real estate joint ventures is comprised of wholly-owned real estate and joint ventures with interests in single property income-producing real estate, and to a lesser extent joint ventures with interests in multi-property projects with varying strategies ranging from the development of properties to the operation of income-producing properties, as well as a runoff portfolio. The carrying values of real estate and real estate joint ventures was $9.7 billion and $9.6 billion, or 2.1% and 2.1% of cash and invested assets, at December 31, 2018 and 2017, respectively. The estimated fair value of our real estate investments was $15.4 billion and $14.9 billion at December 31, 2018 and 2017, respectively. The total gross market value of such real estate investments was $20.1 billion and $19.1 billion at December 31, 2018 and 2017, respectively. Gross market value is the total estimated fair value of these investments regardless of encumbering debt.

There were no impairments recognized on real estate and real estate joint ventures for the year ended December 31, 2018, however impairments were $13 million and less than $1 million for the years ended December 31, 2017 and 2016, respectively. Depreciation expense on real estate investments was $92 million, $103 million and $92 million for the years ended December 31, 2018, 2017 and 2016, respectively. Real estate investments were net of accumulated depreciation of $931 million and $898 million at December 31, 2018 and 2017, respectively.

We diversify our real estate investments by both geographic region and property type to reduce risk of concentration.

Geographical diversification: Of our real estate investments, excluding funds, 63% were located in the United States, with the remaining 37% located outside the United States, at December 31, 2018. The carrying value of our real estate investments, excluding funds, located in Japan, California and DC were 33%, 13% and 10%, respectively, of total real estate investments, excluding funds, at December 31, 2018. Real estate funds were 20% of our real estate investments at December 31, 2018. The majority of these funds hold underlying real estate investments that are well diversified across the United States.

Table of Contents

Property type diversification: Real estate and real estate joint venture investments by property type are categorized by sector as follows at:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Carrying Value | % of Total | Carrying Value | % of Total |
| | (Dollars in millions) | | | |
| Office | $3,922 | 40.4 % | $3,728 | 38.7 % |
| Real estate funds | 1,921 | 19.8 | 1,324 | 13.7 |
| Retail | 1,206 | 12.4 | 1,114 | 11.6 |
| Apartment | 872 | 9.0 | 1,521 | 15.8 |
| Land | 676 | 7.0 | 727 | 7.5 |
| Hotel | 555 | 5.7 | 475 | 4.9 |
| Industrial | 307 | 3.2 | 361 | 3.8 |
| Agriculture | 27 | 0.3 | 29 | 0.3 |
| Other | 212 | 2.2 | 358 | 3.7 |
| Total real estate and real estate joint ventures | $9,698 | 100.0% | $9,637 | 100.0% |

Other Limited Partnership Interests

Other limited partnership interests are comprised of investments in private funds, including private equity funds and hedge funds. At December 31, 2018 and 2017, the carrying value of other limited partnership interests was $6.6 billion and $5.7 billion, or 1.5% and 1.3% of cash and invested assets, which included $634 million and $643 million of hedge funds, respectively. Cash distributions on these investments are generated from investment gains, operating income from the underlying investments of the funds and liquidation of the underlying investments of the funds.

Other Invested Assets

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

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Carrying Value | % of Total | Carrying Value | % of Total |
| | | (Dollars in millions) | | |
| Freestanding derivatives with positive estimated fair values | $8,969 | 49.3% | $8,551 | 49.5% |
| Tax credit and renewable energy partnerships | 2,457 | 13.5 | 3,167 | 18.3 |
| Annuities funding structured settlement claims (1) | 1,279 | 7.0 | 1,284 | 7.4 |
| Direct financing leases | 1,192 | 6.5 | 1,323 | 7.7 |
| Leveraged leases | 1,108 | 6.1 | 1,278 | 7.4 |
| Operating joint ventures | 796 | 4.4 | 539 | 3.1 |
| FHLB common stock (2) | 793 | 4.4 | — | — |
| Funds withheld | 416 | 2.3 | 298 | 1.7 |
| Other | 1,180 | 6.5 | 823 | 4.9 |
| Total | $18,190 | 100 % | $17,263 | 100 % |
| Percentage of cash and invested assets | 4.0 % | | 3.8 % | |

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

(2) See Note 8 of the Notes to the Consolidated Financial Statements.

Leveraged lease impairments were $105 million, $79 million and $77 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Table of Contents

See Notes 1, 8 and 9 of the Notes to the Consolidated Financial Statements for information regarding freestanding derivatives with positive estimated fair values, tax credit and renewable energy partnerships, leveraged and direct financing leases, annuities funding structured settlement claims, FHLB common stock, operating joint ventures and funds withheld.

Derivatives

Derivative Risks

We are exposed to various risks relating to our ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. We use a variety of strategies to manage these risks, including the use of derivatives. See Note 9 of the Notes to the Consolidated Financial Statements for:

- A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managing various risks.
- Information about the gross notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type of hedge designation, excluding embedded derivatives held at December 31, 2018 and 2017.
- The statement of operations effects of derivatives in net investments in foreign operations, cash flow, fair value, or nonqualifying hedge relationships for the years ended December 31, 2018, 2017 and 2016.

See “Quantitative and Qualitative Disclosures About Market Risk — Management of Market Risk Exposures — Hedging Activities” for more information about our use of derivatives by major hedge program.

Fair Value Hierarchy

See Note 10 of the Notes to the Consolidated Financial Statements for derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

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 unobservable, management believes they are consistent with what other market participants would use when pricing such instruments and are considered appropriate given the circumstances. 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.

Derivatives categorized as Level 3 at December 31, 2018 include: interest rate forwards with maturities which extend beyond the observable portion of the yield curve; interest rate total return swaps with unobservable repurchase rates; foreign currency swaps and forwards with certain unobservable inputs, including the unobservable portion of the yield curve; credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; and equity index options with unobservable correlation inputs. At December 31, 2018, less than 1% of the estimated fair value of our derivatives was priced through independent broker quotations.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

The gain (loss) on Level 3 derivatives primarily relates to foreign currency swaps and forwards that are valued using an unobservable portion of the swap yield curves and interest rate total return swaps with unobservable repurchase rates. Other significant inputs, which are observable, include equity index levels, equity volatility and the swap yield curves. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the results to broker quotations.

The gain (loss) on Level 3 derivatives, percentage of gain (loss) attributable to observable and unobservable inputs, and the primary drivers of observable gain (loss) are summarized as follows:

| | Year Ended December 31, 2018 |
|---|---|
| Gain (loss) recognized in net income (loss) | ($161) million |
| Approximate percentage of gain (loss) attributable to observable inputs | 31% |
| Primary drivers of observable gain (loss) | Increases in interest rates on interest rate total return swaps |
| | 69% |

Approximate percentage of gain (loss) attributable to unobservable inputs

See "— Summary of Critical Accounting Estimates — Derivatives" for further information on the estimates and assumptions that affect derivatives.

Table of Contents

Credit Risk

See Note 9 of the Notes to the Consolidated Financial Statements for information about how we manage credit risk related to derivatives and for the estimated fair value of our net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. This policy applies to the recognition of derivatives on the consolidated balance sheets, and does not affect our legal right of offset.

Credit Derivatives

The following table presents the gross notional amount and estimated fair value of credit default swaps at:

| Credit Default Swaps | December 31, 2018 Gross Notional Amount | 2018 Estimated Fair Value | 2017 Gross Notional Amount | 2017 Estimated Fair Value |
|---|---|---|---|---|
| | (In millions) | | | |
| Purchased | $1,903 | $ (14 ) | $2,020 | $ (36 ) |
| Written | 11,391 | 82 | 11,375 | 271 |
| Total | $13,294 | $ 68 | $13,395 | $ 235 |

The following table presents the gross gains, gross losses and net gains (losses) recognized in net derivative gains (losses) for credit default swaps as follows:

| Credit Default Swaps | Years Ended December 31, 2018 Gross Gains | 2018 Gross Losses | 2018 Net Gains (Losses) | 2017 Gross Gains | 2017 Gross Losses | 2017 Net Gains (Losses) |
|---|---|---|---|---|---|---|
| | (In millions) | | | | | |
| Purchased (1) | $17 | $(11 ) | $6 | $5 | $(29 ) | $(24 ) |
| Written (1) | 24 | (156 ) | (132 ) | 152 | (7 ) | 145 |
| Total | $41 | $(167) | $(126 ) | $157 | $(36 ) | $ 121 |

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(1) Gains (losses) do not include earned income (expense) on credit default swaps.

The favorable change in net gains (losses) on purchased credit default swaps of $30 million was due to certain credit spreads on credit default swaps hedging certain bonds widening in the current period as compared to narrowing in the prior period. The unfavorable change in net gains (losses) on written credit default swaps of ($277) million was due to certain credit spreads on certain credit default swaps used as replications widening in the current period as compared to narrowing the prior period.

The maximum amount at risk related to our written credit default swaps is equal to the corresponding gross notional amount. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically replicate a corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelines approved by state insurance regulators and the NAIC and are an important tool in managing the overall corporate credit risk within the Company. In order to match our long-dated insurance liabilities, we seek to buy long-dated corporate bonds. In some instances, these may not be readily available in the market, or they may be issued by corporations to which we already have significant corporate credit exposure. For example, by purchasing Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate credit name, we can replicate the desired bond exposures and meet our ALM needs. In addition, given the shorter tenor of the credit default swaps (generally five-year tenors) versus a long-dated corporate bond, we have more flexibility in managing our credit exposures.

Table of Contents

Embedded Derivatives
See Note 10 of the Notes to the Consolidated Financial Statements for information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy and a rollforward of the fair value measurements for embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.
See Note 9 of the Notes to the Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.
See "— Summary of Critical Accounting Estimates — Derivatives" for further information on the estimates and assumptions that affect embedded derivatives.
Off-Balance Sheet Arrangements
Credit and Committed Facilities
We maintain an unsecured revolving credit facility, as well as committed facilities, with various financial institutions. See "— Liquidity and Capital Resources — The Company — Liquidity and Capital Sources — Global Funding Sources — Cr and Committed Facilities" for further descriptions of such arrangements. For the classification of expenses on such credit and committed facilities and the nature of the associated liability for letters of credit issued and drawdowns on these credit and committed facilities, see Note 12 of the Notes to the Consolidated Financial Statements.
Collateral for Securities Lending, Third-Party Custodian Administered Repurchase Programs and Derivatives
We participate in a securities lending program and third-party custodian administered repurchase programs in the normal course of business for the purpose of enhancing the total return on our investment portfolio. See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for further discussion of our securities lending program and repurchase agreement transactions, the classification of revenues and expenses, and the nature of the secured financing arrangements and associated liabilities.
Securities lending: Periodically we receive non-cash collateral for securities lending from counterparties, which cannot be sold or re-pledged, and which is not reflected on our consolidated balance sheets. The amount of this non-cash collateral was $78 million and $19 million at estimated fair value at December 31, 2018 and 2017, respectively.
Third-party custodian administered repurchase programs: We loan certain of our fixed maturity securities AFS to unaffiliated financial institutions and, in exchange, non-cash collateral is put on deposit by the unaffiliated financial institutions on our behalf with third-party custodians. The estimated fair value of securities loaned in connection with these transactions was $78 million and $182 million at December 31, 2018 and December 31, 2017, respectively. Non-cash collateral on deposit with third-party custodians on our behalf was $84 million and $194 million, at estimated fair value, at December 31, 2018 and December 31, 2017, respectively, which cannot be sold or re-pledged, and which is not reflected on our consolidated balance sheets.
Derivatives: We enter into derivatives to manage various risks relating to our ongoing business operations. We receive non-cash collateral from counterparties for derivatives, which can be sold or re-pledged subject to certain constraints, and which is not reflected on our consolidated balance sheets. The amount of this non-cash collateral was $1.3 billion and $1.1 billion, at estimated fair value, at December 31, 2018 and 2017, respectively. See "— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral" and Note 9 of the Notes to the Consolidated Financial Statements for information regarding the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.
Lease Commitments
As lessee, we have entered into various lease and sublease agreements for office space and equipment. Our commitments under such lease agreements are included within the contractual obligations table. See "— Liquidity and Capital Resources — The Company — Contractual Obligations" and Note 20 of the Notes to the Consolidated Financial Statements.
Guarantees
See "Guarantees" in Note 20 of the Notes to the Consolidated Financial Statements.

Table of Contents

Other

We enter into the following additional commitments in the normal course of business for the purpose of enhancing the total return on our investment portfolio: mortgage loan commitments and commitments to fund partnerships, bank credit facilities, bridge loans and private corporate bond investments. See "Net Investment Income" and "Net Investment Gains (Losses)" in Note 8 of the Notes to the Consolidated Financial Statements for information on the investment income, investment expense, and gains and losses from such investments. See also "— Investments — Fixed Maturity Securities AFS and Equity Securities" and "— Investments — Mortgage Loans" for information on our investments in fixed maturity securities AFS and mortgage loans. See "— Investments — Real Estate and Real Estate Joint Ventures" and "— Investments — Other Limited Partnership Interests" for information on our partnership investments.

Other than the commitments disclosed in Note 20 of the Notes to the Consolidated Financial Statements, there are no other material obligations or liabilities arising from the commitments to fund mortgage loans, partnerships, bank credit facilities, bridge loans, and private corporate bond investments. For further information on commitments to fund partnership investments, mortgage loans, bank credit facilities, bridge loans and private corporate bond investments, see "— Liquidity and Capital Resources — The Company — Contractual Obligations."

Insolvency Assessments

See Note 20 of the Notes to the Consolidated Financial Statements.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported on the consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities, see "— Summary of Critical Accounting Estimates."

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

We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities are established or re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such an increase could adversely affect our earnings and have a material adverse effect on our business, results of operations and financial condition.

We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turbulent financial markets that may have an adverse impact on our business, results of operations and financial condition. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils. We also use hedging, reinsurance and other risk management activities to mitigate financial market volatility.

See "Business — Regulation — Insurance Regulation — Policy and Contract Reserve Adequacy Analysis" for information regarding required analyses of the adequacy of statutory reserves of our insurance operations.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements, "— Industry Trends — Impact of a Sustained Low Interest Rate Environment — Low Interest Rate Scenario" and "— Variable Annuity Guarantees." A discussion of future policy benefits by segment (as well as Corporate & Other) follows.

U.S.
Amounts payable under insurance policies for this segment are comprised of group insurance and annuities, as well as property and casualty policies. For group insurance, future policyholder benefits are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor income benefit insurance, active life policies and premium stabilization and other contingency liabilities held under life insurance contracts. For group annuity contracts, future policyholder benefits are primarily related to payout annuities, including pension risk transfers, structured settlement annuities and institutional income annuities. There is no interest rate crediting flexibility on these liabilities. As a result, a sustained low interest rate environment could negatively impact earnings; however, we mitigate our risks by applying various ALM strategies, including the use of various interest rate derivative positions. The components of future policy benefits related to our property and casualty policies are liabilities for unpaid claims, estimated based upon assumptions such as rates of claim frequencies, levels of severities, inflation, judicial trends, legislative changes or regulatory decisions. Assumptions are based upon our historical experience and analysis of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, and we consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.
Asia
Future policy benefits for this segment are held primarily for traditional life, endowment, annuity and accident & health contracts. They are also held for total return pass-through provisions included in certain universal life and savings products. They include certain liabilities for variable annuity and variable life guarantees of minimum death benefits, and longevity guarantees. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by applying various ALM strategies.
Latin America
Future policy benefits for this segment are held primarily for immediate annuities in Chile, Argentina and Mexico and traditional life contracts mainly in Mexico, Brazil and Colombia. There are also liabilities held for total return pass-through provisions included in certain universal life and savings products in Mexico. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, and mortality and lapses different than expected. We mitigate our risks by applying various ALM strategies.
EMEA
Future policy benefits for this segment include unearned premium reserves for group life and credit insurance contracts. Future policy benefits are also held for traditional life, endowment and annuity contracts with significant mortality risk and accident & health contracts. Factors impacting these liabilities include lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by having premiums which are adjustable or cancellable in some cases, and by applying various ALM strategies.
MetLife Holdings
Future policy benefits for the life business are comprised mainly of liabilities for traditional life insurance contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on life insurance policies. We routinely evaluate our reinsurance programs, which may result in increases or decreases to existing coverage. We have entered into various interest rate derivative positions to mitigate the risk that investment of premiums received and reinvestment of maturing assets over the life of the policy will be at rates below those assumed in the original pricing of these contracts. For the annuities business, future policy benefits are comprised mainly of liabilities for life-contingent income annuities and liabilities for the variable annuity guaranteed minimum benefits that are accounted for as insurance. Other future policyholder benefits are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, and active life policies. In addition, for our other products, future policyholder benefits related to the reinsurance of our former Japan joint venture are comprised of liabilities for the variable annuity guaranteed minimum benefits that are accounted for as insurance.

Corporate & Other

Future policy benefits primarily include liabilities for other reinsurance business.

138

Table of Contents

Policyholder Account Balances

Policyholder account balances are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable charge that may be incurred upon surrender. See "— Industry Trends — Impact of a Sustained Low Interest Rate Environment — Low Interest Rate Scenario" and "— Variable Annuity Guarantees." See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information. A discussion of policyholder account balances by segment follows.

U.S.

Policyholder account balances in this segment are comprised of funding agreements, retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs.

Group Benefits

Policyholder account balances in this business are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs. Policyholder account balances are credited interest at a rate we determine, which is influenced by current market rates. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various interest rate derivative positions to partially mitigate the risks associated with such a scenario.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Group Benefits:

| | December 31, 2018 | |
|---|---|---|
| Guaranteed Minimum Crediting Rate | Account Value | Account Value at Guarantee |
| | (In millions) | |
| Greater than 0% but less than 2% | $4,776 | $ 4,655 |
| Equal to or greater than 2% but less than 4% | $1,766 | $ 1,766 |
| Equal to or greater than 4% | $742 | $ 713 |

Retirement and Income Solutions

Policyholder account balances in this business are primarily comprised of funding agreements. Interest crediting rates vary by type of contract, and can be fixed or variable. Variable interest crediting rates are generally tied to an external index, most commonly (1-month or 3-month) LIBOR. We are exposed to interest rate risks, as well as foreign currency exchange rate risk, when guaranteeing payment of interest and return of principal at the contractual maturity date. We may invest in floating rate assets or enter into receive-floating interest rate swaps, also tied to external indices, as well as interest rate caps, to mitigate the impact of changes in market interest rates. We also mitigate our risks by applying various ALM strategies and seek to hedge all foreign currency exchange rate risk through the use of foreign currency hedges, including cross currency swaps.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for RIS:

| | December 31, 2018 | |
|---|---|---|
| Guaranteed Minimum Crediting Rate | Account Value | Account Value at Guarantee |
| | (In millions) | |
| Greater than 0% but less than 2% | $143 | $ — |
| Equal to or greater than 2% but less than 4% | $1,096 | $ 121 |
| Equal to or greater than 4% | $4,624 | $ 4,621 |

Table of Contents

Asia

Policyholder account balances in this segment are held largely for fixed income retirement and savings plans, fixed deferred annuities, interest sensitive whole life products, universal life and, to a lesser degree, liability amounts for Unit-linked investments that do not meet the GAAP definition of separate accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in Asia that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Asia are accounted for as embedded derivatives and recorded at estimated fair value and are also included within policyholder account balances. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We mitigate our risks by applying various ALM strategies and with reinsurance. Liabilities for Unit-linked investments are impacted by changes in the fair value of the associated underlying investments, as the return on assets is generally passed directly to the policyholder.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Asia:

| | December 31, 2018 | |
|---|---|---|
| Guaranteed Minimum Crediting Rate | Account Value | Account Value at Guarantee |
| | (In millions) | |
| Annuities | | |
| Greater than 0% but less than 2% | $25,586 | $ 1,926 |
| Equal to or greater than 2% but less than 4% | $1,205 | $ 395 |
| Equal to or greater than 4% | $1 | $ 1 |
| Life & Other | | |
| Greater than 0% but less than 2% | $10,268 | $ 9,961 |
| Equal to or greater than 2% but less than 4% | $24,573 | $ 9,174 |
| Equal to or greater than 4% | $279 | $ 279 |

Latin America

Policyholder account balances in this segment are held largely for investment-type products and universal life products in Mexico and Chile, and deferred annuities in Brazil. Some of the deferred annuities in Brazil are Unit-linked investments that do not meet the GAAP definition of separate accounts. The rest of the deferred annuities have minimum credited rate guarantees, which could adversely impact liabilities and earnings in a sustained low interest rate environment. Liabilities for Unit-linked investments are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

EMEA

Policyholder account balances in this segment are held mostly for universal life, deferred annuity, pension products, and Unit-linked investments that do not meet the GAAP definition of separate accounts. They are also held for endowment products without significant mortality risk. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in many of these policyholder account balances. We mitigate our risks by applying various ALM strategies. Liabilities for Unit-linked investments are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

MetLife Holdings

Life policyholder account balances are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies, and funding agreements. For annuities, policyholder account balances are held for fixed deferred annuities, the fixed account portion of variable annuities, non-life contingent income annuities, and embedded derivatives related to variable annuity guarantees. Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, subject to specified minimums. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various interest rate derivative positions to partially mitigate the risks associated with such a scenario. Additionally, for our other products, policyholder account balances are held for variable annuity guarantees assumed from a former operating joint venture in Japan that are accounted for as embedded derivatives.

Table of Contents

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for the MetLife Holdings segment:

| Guaranteed Minimum Crediting Rate | December 31, 2018 Account Value | Account Value at Guarantee |
|---|---|---|
| | (In millions) | |
| Greater than 0% but less than 2% | $1,510 | $ 1,430 |
| Equal to or greater than 2% but less than 4% | $18,733 | $ 16,064 |
| Equal to or greater than 4% | $8,098 | $ 5,539 |

Variable Annuity Guarantees

We issue, directly and through assumed business, certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value resets. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information.

Certain guarantees, including portions thereof, have insurance liabilities established that are included in future policy benefits. Guarantees accounted for in this manner include GMDBs, the life-contingent portion of GMWBs, elective GMIB annuitizations, and the life contingent portion of GMIBs that require annuitization when the account balance goes to zero. 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 are based on best estimate assumptions consistent with those used to amortize DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than those previously projected or when current estimates of future assessments exceed those previously projected. At the end of each reporting period, we update the actual amount of business remaining in-force, which impacts expected future assessments and the projection of estimated future benefits resulting in a current period charge or increase to earnings.

Certain guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and included in policyholder account balances. Guarantees accounted for as embedded derivatives include GMABs, the non-life contingent portion of GMWBs and certain non-life contingent portions of GMIBs. The estimated fair values of guarantees accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions including expectations concerning policyholder behavior. A risk neutral valuation methodology is used to project the cash flows from the guarantees under multiple capital market scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the present value of these risk-free generated cash flows using a discount rate that incorporates a spread over the risk-free rate to reflect our nonperformance risk and adding a risk margin. For more information on the determination of estimated fair value, see Note 10 of the Notes to the Consolidated Financial Statements.

Table of Contents

The table below presents the carrying value for guarantees at:

| | Future Policy Benefits | | Policyholder Account Balances | |
|---|---|---|---|---|
| | December 31, | | December 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions) | | | |
| Asia | | | | |
| GMDB | $3 | $38 | $— | $— |
| GMAB | — | — | 34 | 19 |
| GMWB | 81 | 92 | 143 | 182 |
| EMEA | | | | |
| GMDB | 7 | 1 | — | — |
| GMAB | — | — | 24 | 15 |
| GMWB | 70 | 42 | (82 ) | (90 ) |
| MetLife Holdings | | | | |
| GMDB | 289 | 304 | — | — |
| GMIB | 743 | 581 | 106 | (125 ) |
| GMAB | — | — | 5 | — |
| GMWB | 129 | 183 | 563 | 322 |
| Total | $1,322 | $1,241 | $793 | $323 |

The carrying amounts for guarantees included in policyholder account balances above include nonperformance risk adjustments of $263 million and $130 million at December 31, 2018 and 2017, respectively. These nonperformance risk adjustments represent the impact of including a credit spread when discounting the underlying risk neutral cash flows to determine the estimated fair values. The nonperformance risk adjustment does not have an economic impact on us as it cannot be monetized given the nature of these policyholder liabilities. The change in valuation arising from the nonperformance risk adjustment is not hedged.

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, equity volatility, interest rates or foreign currency exchange rates. Carrying values are also impacted by our assumptions around mortality, separate account returns and policyholder behavior, including lapse rates.

As discussed below, we use a combination of product design, hedging strategies, reinsurance, and other risk management actions to mitigate the risks related to these benefits. Within each type of guarantee, there is a range of product offerings reflecting the changing nature of these products over time. Changes in product features and terms are in part driven by customer demand but, more importantly, reflect our risk management practices of continuously evaluating the guaranteed benefits and their associated asset-liability matching. We continue to diversify the concentration of income benefits in our portfolio by focusing on withdrawal benefits, variable annuities without living benefits and index-linked annuities.

The sections below provide further detail by total account value for certain of our most popular guarantees. Total account values include amounts not reported on the consolidated balance sheets from assumed business, Unit-linked investments that do not qualify for presentation as separate account assets, and amounts included in our general account. The total account values and the net amounts at risk include direct and assumed business, but exclude offsets from hedging or ceded reinsurance, if any.

Table of Contents

GMDBs

We offer a range of GMDBs to our contractholders. The table below presents GMDBs, by benefit type, at December 31, 2018:

| | Total Account Value (1) | |
|---|---|---|
| | Asia & EMEA | MetLife Holdings |
| | (In millions) | |
| Return of premium or five to seven year step-up | $6,180 | $ 46,207 |
| Annual step-up | — | 3,074 |
| Roll-up and step-up combination | — | 5,500 |
| Total | $6,180 | $ 54,781 |

(1) Total account value excludes $230 million for contracts with no GMDBs. The Company's annuity contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed for GMDBs and for living benefit guarantees are not mutually exclusive.

Based on total account value, less than 19% of our GMDBs included enhanced death benefits such as the annual step-up or roll-up and step-up combination products. We expect the above GMDB risk profile to be relatively consistent for the foreseeable future.

Living Benefit Guarantees

The table below presents our living benefit guarantees based on total account values at December 31, 2018:

| | Total Account Value (1) | |
|---|---|---|
| | Asia & EMEA | MetLife Holdings |
| | (In millions) | |
| GMIB | $— | $ 20,692 |
| GMWB - non-life contingent (2) | 1,954 | 2,608 |
| GMWB - life-contingent | 2,961 | 9,373 |
| GMAB | 988 | 368 |
| Total | $5,903 | $ 33,041 |

(1) Total account value excludes $22.0 billion for contracts with no living benefit guarantees. The Company's annuity contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed for GMDBs and for living benefit guarantee amounts are not mutually exclusive.

(2) The Asia and EMEA segments include the non-life contingent portion of the GMWB total account value of $936 million with a guarantee at annuitization.

In terms of total account value, GMIBs are our most significant living benefit guarantee. Our primary risk management strategy for our GMIB products is our derivatives hedging program as discussed below. Additionally, we have engaged in certain reinsurance agreements covering some of our GMIB business. As part of our overall risk management approach for living benefit guarantees, we continually monitor the reinsurance markets for the right opportunity to purchase additional coverage for our GMIB business. We stopped selling GMIBs in February 2016.

Table of Contents

The table below presents our GMIB associated total account values, by their guaranteed payout basis, at December 31, 2018:

| | Total Account Value (In millions) |
|---|---|
| 7-year setback, 2.5% interest rate | $ 5,508 |
| 7-year setback, 1.5% interest rate | 899 |
| 10-year setback, 1.5% interest rate | 4,384 |
| 10-year mortality projection, 10-year setback, 1.0% interest rate | 8,389 |
| 10-year mortality projection, 10-year setback, 0.5% interest rate | 1,512 |
| | $ 20,692 |

The annuitization interest rates on GMIBs have been decreased from 2.5% to 0.5% over time, partially in response to the low interest rate environment, accompanied by an increase in the setback period from seven years to 10 years and the introduction of a 10-year mortality projection.

Additionally, 42% of the $20.7 billion of GMIB total account value has been invested in managed volatility funds as of December 31, 2018. These funds seek to manage volatility by adjusting the fund holdings within certain guidelines based on capital market movements. Such activity reduces the overall risk of the underlying funds while maintaining their growth opportunities. These risk mitigation techniques reduce or eliminate the need for us to manage the funds' volatility through hedging or reinsurance.

Our GMIB products typically have a waiting period of 10 years to be eligible for annuitization. As of December 31, 2018, only 19% of our contracts with GMIBs were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of five years.

Once eligible for annuitization, contractholders would be expected to annuitize only if their contracts were in-the-money. We calculate in-the-moneyness with respect to GMIBs consistent with net amount at risk as discussed in Note 4 of the Notes to the Consolidated Financial Statements, by comparing the contractholders' income benefits based on total account values and current annuity rates versus the guaranteed income benefits. The net amount at risk was $483 million at December 31, 2018, of which $418 million was related to GMIBs. For those contracts with GMIB, the table below presents details of contracts that are in-the-money and out-of-the-money at December 31, 2018:

| | In-the-Moneyness | Total Account Value (In millions) | % of Total | |
|---|---|---|---|---|
| In-the-money | 30% + | $ 382 | 2 | % |
| | 20% to 30% | 302 | 2 | % |
| | 10% to 20% | 546 | 3 | % |
| | 0% to 10% | 1,184 | 6 | % |
| | | 2,414 | | |
| Out-of-the-money | -10% to 0% | 2,321 | 11 | % |
| | -20% to 10% | 3,077 | 15 | % |
| | -20% + | 12,880 | 62 | % |
| | | 18,278 | | |
| Total GMIBs | | $ 20,692 | | |

Table of Contents

Derivatives Hedging Variable Annuity Guarantees

Our risk mitigating hedging strategy uses various OTC and exchange traded derivatives. The table below presents the gross notional amount, estimated fair value and primary underlying risk exposure of the derivatives hedging our variable annuity guarantees:

| | | December 31, | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2018 | | | 2017 | | |
| Primary Underlying Risk Exposure | Instrument Type | Gross Notional Amount | Estimated Fair Value Assets | Liabilities | Gross Notional Amount | Estimated Fair Value Assets | Liabilities |
| | | (In millions) | | | | | |
| Interest rate | Interest rate swaps | $8,209 | $ 89 | $ 3 | $16,080 | $ 433 | $ 22 |
| | Interest rate futures | 1,559 | 1 | 3 | 3,060 | 1 | 4 |
| | Interest rate options | 838 | 163 | — | 10,173 | 486 | 11 |
| Foreign currency exchange rate | Foreign currency forwards | 1,815 | 44 | 9 | 2,288 | 5 | 36 |
| Equity market | Equity futures | 2,730 | 11 | 77 | 3,781 | 17 | 4 |
| | Equity index options | 9,933 | 408 | 546 | 9,546 | 383 | 690 |
| | Equity variance swaps | 2,269 | 40 | 87 | 4,661 | 54 | 199 |
| | Equity total return swaps | 929 | 91 | — | 1,117 | — | 41 |
| | Total | $28,282 | $ 847 | $ 725 | $50,706 | $ 1,379 | $ 1,007 |

The change in estimated fair values of our derivatives is recorded in policyholder benefits and claims if such derivatives are hedging guarantees included in future policy benefits, and in net derivative gains (losses) if such derivatives are hedging guarantees included in policyholder account balances.

Our hedging strategy involves the significant use of static longer-term derivative instruments to avoid the need to execute transactions during periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our liability coverage, as appropriate. Futures are also used to dynamically adjust the daily coverage levels as markets and liability exposures fluctuate.

We remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. Certain of our reinsurance agreements and substantially all derivative positions are collateralized and derivatives positions are subject to master netting agreements, both of which significantly reduce the exposure to counterparty risk. In addition, we are subject to the risk that hedging and other risk management actions prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed.

Liquidity and Capital Resources

Overview

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities and derivatives are sensitive to changing market factors. Changing conditions in the global capital markets and the economy may affect our financing costs and market interest for our debt or equity securities. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, see "— Industry Trends" and "— Investments — Current Environment."

Liquidity Management

Based upon the strength of our franchise, diversification of our businesses, strong financial fundamentals and the substantial funding sources available to us as described herein, we continue to believe we have access to ample liquidity to meet business requirements under current market conditions and reasonably possible stress scenarios. We continuously monitor and adjust our liquidity and capital plans for MetLife, Inc. and its subsidiaries in light of market conditions, as well as changing needs and opportunities.

145

Short-term Liquidity

We maintain a substantial short-term liquidity position, which was $11.1 billion and $10.0 billion at December 31, 2018 and 2017, respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding assets that are pledged or otherwise committed, including amounts received in connection with securities lending, repurchase agreements, derivatives, and secured borrowings, as well as amounts held in the closed block.

Liquid Assets

An integral part of our liquidity management includes managing our level of liquid assets, which was $202.7 billion and $209.1 billion at December 31, 2018 and 2017, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with securities lending, repurchase agreements, derivatives, regulatory deposits, the collateral financing arrangement, funding agreements and secured borrowings, as well as amounts held in the closed block.

Capital Management

We have established several senior management committees as part of our capital management process. These committees, including the Capital Management Committee and the Enterprise Risk Committee ("ERC"), regularly review actual and projected capital levels (under a variety of scenarios including stress scenarios) and our annual capital plan in accordance with our capital policy. The Capital Management Committee is comprised of members of senior management, including MetLife, Inc.'s Chief Financial Officer ("CFO"), Treasurer, and Chief Risk Officer ("CRO"). The ERC is also comprised of members of senior management, including MetLife, Inc.'s CFO, CRO and Chief Investment Officer.

Our Board of Directors and senior management are directly involved in the development and maintenance of our capital policy. The capital policy sets forth, among other things, minimum and target capital levels and the governance of the capital management process. All capital actions, including proposed changes to the annual capital plan, capital targets or capital policy, are reviewed by the Finance and Risk Committee of the Board of Directors prior to obtaining full Board of Directors approval. The Board of Directors approves the capital policy and the annual capital plan and authorizes capital actions, as required.

See "Risk Factors — Capital Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock at the Level We Wish" and Note 15 of the Notes to the Consolidated Financial Statements for information regarding restrictions on payment of dividends and stock repurchases. See also "— The Company — Liquidity and Capital Uses — Common Stock Repurchases" for information regarding MetLife, Inc.'s common stock repurchase authorizations.

The Company

Liquidity

Liquidity refers to the ability to generate adequate amounts of cash to meet our needs. We determine our liquidity needs based on a rolling 12-month forecast by portfolio of invested assets which we monitor daily. We adjust the asset mix and asset maturities based on this rolling 12-month forecast. To support this forecast, we conduct cash flow and stress testing, which include various scenarios of the potential risk of early contractholder and policyholder withdrawal. We include provisions limiting withdrawal rights on many of our products, including general account pension products sold to employee benefit plan sponsors. Certain of these provisions prevent the customer from making withdrawals prior to the maturity date of the product. In the event of significant cash requirements beyond anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and timing of the liquidity need. These available alternatives include cash flows from operations, sales of liquid assets, global funding sources including commercial paper and various credit and committed facilities.

Under certain stressful market and economic conditions, our access to liquidity may deteriorate, or the cost to access liquidity may increase. If we require significant amounts of cash on short notice in excess of anticipated cash requirements or if we are required to post or return cash collateral in connection with derivatives or our securities lending program, we may have difficulty selling investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both. In addition, in the event of such forced sale, for securities in an unrealized loss position, realized losses would be incurred on securities sold and impairments would be incurred, if there is a need to sell securities prior to recovery, which may negatively impact our financial condition. See “Risk Factors — Investment Risks — We May Have Difficulty Selling Certain Holdings in Our Investment Portfolio or in Our Securities Lending Program in a Timely Manner and Realizing Full Value.”

Table of Contents

All general account assets within a particular legal entity — other than those which may have been pledged to a specific purpose — are generally available to fund obligations of the general account of that legal entity.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our ability to generate strong cash flows within our operating companies and borrow funds at competitive rates, as well as by our demonstrated ability to raise additional capital to meet operating and growth needs despite adverse market and economic conditions.

Rating Agencies

Rating agencies assign insurer financial strength ratings to MetLife, Inc.'s U.S. life insurance subsidiaries and credit ratings to MetLife, Inc. and certain of its subsidiaries. Financial strength ratings represent the opinion of rating agencies regarding the ability of an insurance company to pay obligations under insurance policies and contracts in accordance with their terms. Credit ratings indicate the rating agency's opinion regarding a debt issuer's ability to meet the terms of debt obligations in a timely manner. They are important factors in our overall funding profile and ability to access certain types of liquidity. The level and composition of regulatory capital at the subsidiary level and our equity capital are among the many factors considered in determining our insurer financial strength ratings and credit ratings. Each agency has its own capital adequacy evaluation methodology, and assessments are generally 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.

Downgrades in our insurer financial strength ratings could have a material adverse effect on our financial condition and results of operations in many ways. See "Risk Factors — Economic Environment and Capital Markets Risks — A Downgrade or a Potential Downgrade in Our Financial Strength or Credit Ratings Could Result in a Loss of Business and Materially Adversely Affect Our Financial Condition and Results of Operations."

A downgrade in the credit ratings or insurer financial strength ratings of MetLife, Inc. or its subsidiaries would likely impact us in the following ways, including:

- impact our ability to generate cash flows from the sale of funding agreements and other capital market products offered by our RIS business;
- impact the cost and availability of financing for MetLife, Inc. 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 investments held by the subsidiaries subject to the agreements. See "— Liquidity and Capital Uses — Pledged Collateral."

Statutory Capital and Dividends

Our U.S. insurance subsidiaries have statutory surplus well above levels to meet current regulatory requirements.

RBC requirements are used as minimum capital requirements by the NAIC and the state insurance departments to identify companies that merit regulatory action. RBC is based on a formula calculated by applying factors to various asset, premium, claim, expense and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk, market risk and business risk and is calculated on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. These rules apply to most of our U.S. insurance subsidiaries. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not meet or exceed certain RBC levels. As of the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital of each of these subsidiaries subject to these requirements was in excess of each of those RBC levels.

As a Delaware corporation, American Life is subject to Delaware law; however, because it does not conduct insurance business in Delaware or any other U.S. state, it is exempt from RBC requirements under Delaware law. American Life's operations are also regulated by applicable authorities of the jurisdictions in which it operates and is subject to capital and solvency requirements in those jurisdictions.

147

Table of Contents

The amount of dividends that our insurance subsidiaries can pay to MetLife, Inc. or to 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. Furthermore, the payment of dividends and other distributions to MetLife, Inc. and other parent entities by their respective insurance subsidiaries is governed by insurance laws and regulations. See "Business — Regulation — Insurance Regulation," "— MetLife, Inc. — Liqu and Capital Sources — Dividends from Subsidiaries" and Note 15 of the Notes to the Consolidated Financial Statements.

Affiliated Captive Reinsurance Transactions

MLIC cedes specific policy classes, including term and universal life insurance, participating whole life insurance, LTD insurance, group life insurance and other business to various wholly-owned captive reinsurers. The reinsurance activities among these affiliated companies are eliminated within our consolidated results of operations. The statutory reserves of such affiliated captive reinsurers are supported by a combination of funds withheld assets, investment assets and letters of credit issued by unaffiliated financial institutions. MetLife, Inc. has entered into various support agreements in connection with the activities of these captive reinsurers. See "— MetLife, Inc. — Liquidity and Capital Uses — Support Agreements" for further details on certain of these guarantees. MLIC has entered into reinsurance agreements with affiliated captive reinsurers for risk and capital management purposes, as well as to manage statutory reserve requirements related to universal life and term life insurance policies and other business.

The NYDFS continues to have a moratorium on new reserve financing transactions involving captive insurers. We are not aware of any states other than New York and California implementing such a moratorium. While such a moratorium would not impact our existing reinsurance agreements with captive reinsurers, a moratorium placed on the use of captives for new reserve financing transactions could impact our ability to write certain products and/or impact our RBC ratios and ability to deploy excess capital in the future. This could result in our need to increase prices, modify product features or limit the availability of those products to our customers. While this affects insurers across the industry, it could adversely impact our competitive position and our results of operations in the future. We continue to evaluate product modifications, pricing structure and alternative means of managing risks, capital and statutory reserves and we expect the discontinued use of captive reinsurance on new reserve financing transactions would not have a material impact on our future consolidated financial results. See Note 6 of the Notes to the Consolidated Financial Statements for further information on our reinsurance activities.

Table of Contents

Summary of the Company’s Primary Sources and Uses of Liquidity and Capital

Our primary sources and uses of liquidity and capital are summarized as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Sources: | | | |
| Operating activities, net | $11,738 | $12,283 | $14,774 |
| Net change in policyholder account balances | 4,266 | 6,131 | 4,925 |
| Net change in payables for collateral under securities loaned and other transactions | — | 903 | — |
| Cash received for other transactions with tenors greater than three months | 200 | — | — |
| Long-term debt issued | 24 | 3,657 | — |
| Financing element on certain derivative instruments and other derivative related transactions, net | 144 | — | — |
| Preferred stock issued, net of issuance costs | 1,274 | — | — |
| Other, net | — | 118 | 139 |
| Effect of change in foreign currency exchange rates on cash and cash equivalents | — | 323 | — |
| Total sources | 17,646 | 23,415 | 19,838 |
| Uses: | | | |
| Investing activities, net | 5,634 | 16,876 | 5,850 |
| Net change in payables for collateral under securities loaned and other transactions | 821 | — | 3,636 |
| Long-term debt repaid | 1,871 | 1,073 | 1,279 |
| Collateral financing arrangements repaid | 61 | 2,951 | 68 |
| Distribution of Brighthouse | — | 2,793 | — |
| Financing element on certain derivative instruments and other derivative related transactions, net | — | 151 | 1,367 |
| Treasury stock acquired in connection with share repurchases | 3,992 | 2,927 | 372 |
| Dividends on preferred stock | 141 | 103 | 103 |
| Dividends on common stock | 1,678 | 1,717 | 1,736 |
| Other, net | 145 | — | — |
| Effect of change in foreign currency exchange rates on cash and cash equivalents | 183 | — | 302 |
| Total uses | 14,526 | 28,591 | 14,713 |
| Net increase (decrease) in cash and cash equivalents | $3,120 | $(5,176 ) | $5,125 |

Cash Flows from Operations

The principal cash inflows from our insurance activities come from insurance premiums, net investment income, annuity considerations and deposit funds. The principal cash outflows are the result of various life insurance, property and casualty, annuity and pension products, operating expenses and income tax, as well as interest expense. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal. The cash flows from discontinued operations are not separately classified, but generally arise from the same activities described above.

Cash Flows from Investments

The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sales of investments and settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows relate to purchases of businesses. We typically have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our comprehensive investment risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption. The cash flows from discontinued operations are not separately classified, but generally arise from the same activities described above.

149

Table of Contents

Cash Flows from Financing

The principal cash inflows from our financing activities come from issuances of debt and other securities, deposits of funds associated with policyholder account balances and lending of securities. The principal cash outflows come from repayments of debt and collateral financing arrangements, payments of dividends on and repurchases of MetLife, Inc.'s securities, withdrawals associated with policyholder account balances, cash disposed of in the distribution of Brighthouse and the return of securities on loan. The primary liquidity concerns with respect to these cash flows are market disruption and the risk of early contractholder and policyholder withdrawal. The cash flows from discontinued operations are not separately classified, but generally arise from the same activities described above.

Liquidity and Capital Sources

In addition to the general description of liquidity and capital sources in "— Summary of the Company's Primary Sources and Uses of Liquidity and Capital," the Company's primary sources of liquidity and capital are set forth below. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding financing transactions related to the Separation.

Global Funding Sources

Liquidity is provided by a variety of global funding sources, including funding agreements, credit and committed facilities and commercial paper. Capital is provided by a variety of global funding sources, including short-term and long-term debt, the collateral financing arrangement, junior subordinated debt securities, preferred securities, equity securities and equity-linked securities. MetLife, Inc. maintains a shelf registration statement with the SEC that permits the issuance of public debt, equity and hybrid securities. As a "Well-Known Seasoned Issuer" under SEC rules, MetLife, Inc.'s shelf registration statement provides for automatic effectiveness upon filing and has no stated issuance capacity. The diversity of our global funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary global funding sources include:

Preferred Stock

In June 2018, MetLife, Inc. issued 32,200 shares of 5.625% Non-Cumulative Preferred Stock, Series E (the "Series E preferred stock") with a $0.01 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $780 million.

In March 2018, MetLife, Inc. issued 500,000 shares of 5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D (the "Series D preferred stock") with a $0.01 par value per share and a liquidation preference of $1,000 per share, for aggregate net proceeds of $494 million.

See Note 15 of the Notes to the Consolidated Financial Statements.

Common Stock

See Note 15 of the Notes to the Consolidated Financial Statements.

Commercial Paper, Reported in Short-term Debt

MetLife, Inc. and MetLife Funding each have a commercial paper program that is supported by our unsecured revolving credit facility (see "— Credit and Committed Facilities"). MetLife Funding raises cash from its commercial paper program and uses the proceeds to extend loans through MetLife Credit Corp., another subsidiary of MLIC, to affiliates in order to enhance the financial flexibility and liquidity of these companies.

Federal Home Loan Bank Funding Agreements, Reported in Policyholder Account Balances

Certain of our U.S. insurance subsidiaries are members of a regional FHLB. During the years ended December 31, 2018, 2017 and 2016, we issued $27.3 billion, $22.4 billion and $17.0 billion, respectively, and repaid $27.5 billion, $22.4 billion and $15.2 billion, respectively, under funding agreements with certain regional FHLBs. At December 31, 2018 and 2017, total obligations outstanding under these funding agreements were $15.1 billion and $15.3 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements.

Table of Contents

Federal Home Loan Bank Advance Agreements, Reported in Payables for Collateral Under Securities Loaned and Other Transactions

During the years ended December 31, 2018 and 2017, we issued $3.1 billion and $301 million, respectively, and repaid $2.6 billion and $1 million, respectively, under advance agreements with a regional FHLB. At December 31, 2018 and 2017, total obligations outstanding under these advance agreements were $800 million and $300 million, respectively. There were no such transactions during the year ended December 31, 2016. See Note 8 of the Notes to the Consolidated Financial Statements.

Special Purpose Entity Funding Agreements, Reported in Policyholder Account Balances

We issue fixed and floating rate funding agreements which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities ("SPEs") that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the years ended December 31, 2018, 2017 and 2016, we issued $41.8 billion, $42.7 billion and $39.7 billion, respectively, and repaid $43.7 billion, $41.4 billion and $38.5 billion, respectively, under such funding agreements. At December 31, 2018 and 2017, total obligations outstanding under these funding agreements were $32.3 billion and $34.2 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in Policyholder Account Balances

We have issued funding agreements to a subsidiary of Farmer Mac, as well as to certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac. The obligations under all such funding agreements are secured by a pledge of certain eligible agricultural mortgage loans. During the years ended December 31, 2018, 2017 and 2016, we issued $900 million, $1.0 billion and $1.2 billion, respectively, and repaid $900 million, $1.0 billion and $1.2 billion, respectively, under such funding agreements. At both December 31, 2018 and 2017, total obligations outstanding under these funding agreements were $2.6 billion. See Note 4 of the Notes to the Consolidated Financial Statements.

Credit and Committed Facilities

At December 31, 2018, we maintained a $3.0 billion unsecured revolving credit facility and certain committed facilities aggregating $3.3 billion, of which MetLife, Inc. is a party and/or guarantor. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements. See Note 12 of the Notes to the Consolidated Financial Statements.

The unsecured revolving credit facility is used for general corporate purposes, to support the borrowers' commercial paper programs and for the issuance of letters of credit. At December 31, 2018, we had outstanding $446 million in letters of credit and no drawdowns against this facility. Remaining availability was $2.6 billion at December 31, 2018.

The committed facilities are used as collateral for certain of our affiliated reinsurance liabilities. At December 31, 2018, we had outstanding $2.8 billion in letters of credit and no drawdowns against these facilities. Remaining availability was $491 million at December 31, 2018. As of December 31, 2018, Brighthouse was a beneficiary of $2.4 billion of letters of credit issued under these committed facilities. See Note 3 of the Notes to the Consolidated Financial Statements.

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

Affiliated Preferred Units Issuances

In June 2017, Brighthouse Holdings, LLC issued 50,000 units of 6.50% fixed rate cumulative preferred units to MetLife, Inc. and, in turn, MetLife, Inc. sold the preferred units to third-party investors for net proceeds of $49 million. See Note 3 of the Notes to the Consolidated Financial Statements.

Outstanding Debt Under Global Funding Sources

The following table summarizes our outstanding debt excluding long-term debt relating to CSEs at:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Short-term debt (1) | $268 | $477 |
| Long-term debt (2) | $12,824 | $15,680 |
| Collateral financing arrangement | $1,060 | $1,121 |
| Junior subordinated debt securities (3) | $3,147 | $3,144 |

(1) Includes $168 million and $377 million of debt that is non-recourse to MetLife, Inc. and MLIC, subject to customary exceptions, at December 31, 2018 and 2017, respectively. Certain subsidiaries have pledged assets to secure this debt.

(2) Includes $422 million and $523 million of debt that is non-recourse to MetLife, Inc. and MLIC, subject to customary exceptions, at December 31, 2018 and 2017, respectively. Certain investment subsidiaries have pledged assets to secure this debt.

(3) For information regarding the junior subordinated debt securities, see Note 14 of the Notes to the Consolidated Financial Statements and Note 5 of the Notes to the MetLife, Inc. (Parent Company Only) Condensed Financial Information in Schedule II.

Debt and Facility Covenants

Certain of our debt instruments and committed facilities, as well as our unsecured revolving credit facility, contain various administrative, reporting, legal and financial covenants. We believe we were in compliance with all applicable financial covenants at December 31, 2018.

Dispositions

Cash proceeds from dispositions during the years ended December 31, 2018, 2017 and 2016 were $0, $0, and $291 million, respectively. See Note 3 of the Notes to the Consolidated Financial Statements.

Liquidity and Capital Uses

In addition to the general description of liquidity and capital uses in "— Summary of the Company's Primary Sources and Uses of Liquidity and Capital" and "— Contractual Obligations," the Company's primary uses of liquidity and capital are set forth below.

Common Stock Repurchases

See Note 15 of the Notes to the Consolidated Financial Statements for information relating to authorizations by the Board of Directors to repurchase MetLife, Inc. common stock, amounts of common stock repurchased pursuant to such authorizations during the years ended December 31, 2018, 2017 and 2016, and the amount remaining under such authorizations at December 31, 2018. See Note 22 of the Notes to the Consolidated Financial Statements for information regarding shares of common stock repurchased subsequent to December 31, 2018.

Common stock repurchases are subject to the discretion of our Board of Directors and will depend upon our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.'s common stock compared to management's assessment of the stock's underlying value, applicable regulatory approvals, and other legal and accounting factors. Restrictions on the payment of dividends that may arise under so-called "Dividend Stopper" provisions would also restrict MetLife, Inc.'s ability to repurchase common stock. See "— Dividends" for information about these restrictions. See also "Risk Factors — Capital Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock at the Level We Wish."

Dividends

During the years ended December 31, 2018, 2017 and 2016, MetLife, Inc. paid dividends on its preferred stock of $141 million, $103 million and $103 million, respectively. During each of the years ended December 31, 2018, 2017 and 2016, MetLife, Inc. paid $1.7 billion of dividends on its common stock. See Note 15 of the Notes to the Consolidated Financial Statements for information regarding the calculation and timing of these dividend payments.

Table of Contents

Dividends are paid quarterly on MetLife, Inc.'s Floating Rate Non-Cumulative Preferred Stock, Series A. Dividends are paid semi-annually on MetLife, Inc.'s 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, until June 15, 2020 and, thereafter, will be paid quarterly. Dividends are paid semi-annually on MetLife, Inc.'s 5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D, in September and March until March 15, 2028 and, thereafter, will be paid quarterly. Dividends are paid quarterly on MetLife, Inc.'s 5.625% Non-Cumulative Preferred Stock, Series E.

The declaration and payment of common stock dividends are subject to the discretion of our Board of Directors, and will depend on MetLife, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.'s insurance subsidiaries and other factors deemed relevant by the Board. See Note 22 of the Notes to the Consolidated Financial Statements for information regarding a common stock dividend declared subsequent to December 31, 2018.

"Dividend Stopper" Provisions in MetLife's Preferred Stock and Junior Subordinated Debentures

MetLife, Inc.'s preferred stock and junior subordinated debentures contain "dividend stopper" provisions under which MetLife, Inc. may not pay dividends on instruments junior to those instruments if payments have not been made on those instruments. Moreover, MetLife, Inc.'s Series A preferred stock and its junior subordinated debentures contain provisions that would limit the payment of dividends or interest on those instruments if MetLife, Inc. fails to meet certain tests ("Trigger Events"), to an amount not greater than the net proceeds from sales of common stock and other specified instruments during a period preceding the dividend declaration date or the interest payment date, as applicable. If such proceeds were under the circumstances insufficient to make such payments on those instruments, the dividend stopper provisions affecting common stock (and preferred stock, as applicable) would come into effect.

A "Trigger Event" would occur if:

- the RBC ratio of MetLife's largest U.S. insurance subsidiaries in the aggregate (as defined in the applicable instrument) were to be less than 175% of the company action level based on the subsidiaries' prior year annual financial statements filed (generally around March 1) with state insurance commissioners; or
- at the end of a quarter ("Final Quarter End Test Date"), consolidated GAAP net income for the four-quarter period ending two quarters before such quarter-end (the "Preliminary Quarter End Test Date") is zero or a negative amount and the consolidated GAAP stockholders' equity, minus AOCI (the "adjusted stockholders' equity amount"), as of the Final Quarter End Test Date and the Preliminary Quarter End Test Date, declined by 10% or more from (A) its level 10 quarters before the Final Quarter End Test Date (the "Benchmark Quarter End Test Date"), for Benchmark Quarter End Test Dates after August 4, 2017 (the date of the Separation), or (B) $49,282,000,000, the consolidated GAAP stockholders' equity, minus AOCI as of June 30, 2017 as reported on a pro forma basis reflecting the Separation in MetLife's Form 8-K filed with the SEC on August 9, 2017, for Benchmark Quarter End Test Dates prior to August 4, 2017.

Once a Trigger Event occurs for a Final Quarter End Test Date, the suspension of payments of dividends and interest (in the absence of sufficient net proceeds from the issuance of certain securities during specified periods) would continue until there is no Trigger Event at a subsequent Final Quarter End Test Date, and, if the test in the second paragraph above caused the Trigger Event, the adjusted stockholders' equity amount is no longer 10% or more below its level at the Benchmark Quarter End Test Date that is associated with the Trigger Event. In the case of successive Trigger Events, the suspension would continue until MetLife satisfies these conditions for each of the Trigger Events.

The junior subordinated debentures further provide that MetLife, Inc. may, at its option and provided that certain conditions are met, elect to defer payment of interest. See Note 14 of the Notes to the Consolidated Financial Statements. Any such elective deferral would trigger the dividend stopper provisions.

Further, MetLife, Inc. is a party to certain replacement capital covenants which limit its ability to eliminate these restrictions through the repayment, redemption or purchase of the junior subordinated debentures by requiring MetLife, Inc., with some limitations, to receive cash proceeds during a specified period from the sale of specified replacement securities prior to any repayment, redemption or purchase. See Note 14 of the Notes to the Consolidated Financial Statements for a description of such covenants.

Table of Contents

Debt Repayments

See Notes 12 and 13 of the Notes to the Consolidated Financial Statements for further information on long-term and short-term debt and the collateral financing arrangement, respectively, including:

- During 2018, 2017 and 2016, following regulatory approval, MetLife Reinsurance Company of Charleston ("MRC"), a wholly-owned subsidiary of MetLife, Inc., repurchased and canceled $61 million, $153 million and $68 million, respectively, in aggregate principal amount of its surplus notes, which were reported in collateral financing arrangement on the consolidated balance sheets;
- In August 2018, MetLife, Inc. repaid at maturity the remaining $533 million of its 6.817% senior notes;
- In December 2017, MetLife, Inc. repaid at maturity its $500 million 1.756% senior notes;
- In December 2017, MetLife, Inc. repaid at maturity its $500 million 1.903% senior notes; and
- In June 2016, MetLife, Inc. repaid at maturity its $1.3 billion 6.750% senior notes.

Debt Repurchases, Redemptions and Exchanges

We may from time to time seek to retire or purchase our outstanding debt through cash purchases, redemptions and/or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise. Any such repurchases, redemptions, or exchanges will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions, and applicable regulatory, legal and accounting factors. Whether or not to repurchase or redeem any debt and the size and timing of any such repurchases or redemptions will be determined at our discretion.

In June 2018, MetLife, Inc. sold FVO Brighthouse Common Stock in exchange for $944 million in aggregate principal amount of its senior notes. In December, August and June 2018, MetLife, Inc. purchased for cash $500 million, $566 million and $160 million, respectively, in aggregate principal amount of its senior notes. See Note 12 of the Notes to the Consolidated Financial Statements for further information on long-term and short-term debt.

Support Agreements

MetLife, Inc. and several of its subsidiaries (each, an "Obligor") are parties to various capital support commitments and guarantees with subsidiaries. Under these arrangements, each Obligor has agreed to cause the applicable entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. We anticipate that in the event these arrangements place demands upon us, there will be sufficient liquidity and capital to enable us to meet such demands. See "— MetLife, Inc. — Liquidity and Capital Uses — Support Agreements."

Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, property and casualty, annuity and group pension products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse behavior differs somewhat by segment. In the MetLife Holdings segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. During the years ended December 31, 2018 and 2017, general account surrenders and withdrawals from annuity products were $1.8 billion and $1.6 billion, respectively. In the RIS business within the U.S. segment, which includes pension risk transfers, bank-owned life insurance and other fixed annuity contracts, as well as funding agreements and other capital market products, most of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to the RIS business products that provide customers with limited rights to accelerate payments, at December 31, 2018, there were funding agreements totaling $148 million that could be put back to the Company.

Table of Contents

Pledged Collateral
We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At both December 31, 2018 and 2017, we had received pledged cash collateral from counterparties of $5.0 billion. At December 31, 2018 and 2017, we had pledged cash collateral to counterparties of $283 million and $456 million, respectively. With respect to OTC-bilateral derivatives in a net liability position and have credit contingent provisions, a one-notch downgrade in the Company’s credit or financial strength rating, as applicable, would have required $10 million of additional collateral be provided to our counterparties as of December 31, 2018. See Note 9 of the Notes to the Consolidated Financial Statements for additional information about collateral pledged to us, collateral we pledge and derivatives subject to credit contingent provisions.
We pledge collateral and have had collateral pledged to us, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to us, in connection with the collateral financing arrangement related to the reinsurance of closed block liabilities. See Note 13 of the Notes to the Consolidated Financial Statements.
We pledge collateral from time to time in connection with funding agreements and advance agreements. See Note 4 of the Notes to the Consolidated Financial Statements.
Securities Lending
We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under our securities lending program, we were liable for cash collateral under our control of $18.0 billion and $19.4 billion at December 31, 2018 and 2017, respectively. Of these amounts, $2.7 billion and $3.8 billion at December 31, 2018 and 2017, respectively, were on open, meaning that the related loaned security could be returned to us on the next business day requiring the immediate return of cash collateral we hold. The estimated fair value of the securities on loan related to the cash collateral on open at December 31, 2018 was $2.7 billion, all of which were U.S. government and agency securities which, if put to us, could be immediately sold to satisfy the cash requirement. See Note 8 of the Notes to the Consolidated Financial Statements.
Repurchase Agreements
We participate in short-term repurchase agreements whereby securities are loaned to unaffiliated financial institutions. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under these repurchase agreements, we were liable for cash collateral under our control of $1.1 billion at both December 31, 2018 and 2017. The estimated fair value of the securities on loan at December 31, 2018 was $1.1 billion which were primarily U.S. government and agency securities which, if put to us, could be immediately sold to satisfy the cash requirement. See Note 8 of the Notes to the Consolidated Financial Statements.
Litigation
We establish liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For material matters where a loss is believed to be reasonably possible but not probable, no accrual is made but we disclose the nature of the contingency and an aggregate estimate of the reasonably possible range of loss in excess of amounts accrued, when such an estimate can be made. It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to herein, very large and/or indeterminate amounts, including punitive and treble damages, are sought. 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 our consolidated net income or cash flows in particular quarterly or annual periods. See Note 20 of the Notes to the Consolidated Financial Statements.
Acquisitions
Cash outflows for acquisitions and investments in strategic partnerships during the years ended December 31, 2018, 2017 and 2016 were $0, $211 million and $0, respectively.

Table of Contents

Contractual Obligations

The following table summarizes our major contractual obligations at December 31, 2018:

| | Total | One Year or Less | More than One Year to Three Years | More than Three Years to Five Years | More than Five Years |
|---|---|---|---|---|---|
| | (In millions) | | | | |
| Insurance liabilities | $318,082 | $22,246 | $ 17,927 | $ 17,298 | $ 260,611 |
| Policyholder account balances | 234,958 | 32,036 | 22,784 | 16,733 | 163,405 |
| Payables for collateral under securities loaned and other transactions | 24,794 | 24,794 | — | — | — |
| Debt | 31,950 | 1,247 | 2,772 | 3,602 | 24,329 |
| Investment commitments | 11,734 | 11,344 | 330 | 60 | — |
| Operating leases | 2,126 | 292 | 542 | 433 | 859 |
| Other | 19,059 | 18,707 | — | — | 352 |
| Total | $642,703 | $110,666 | $ 44,355 | $ 38,126 | $ 449,556 |

Insurance Liabilities

Insurance liabilities include future policy benefits, other policy-related balances, policyholder dividends payable and the policyholder dividend obligation, which are all reported on the consolidated balance sheet and are more fully described in Notes 1 and 4 of the Notes to the Consolidated Financial Statements. The amounts presented reflect future estimated cash payments and (i) are based on mortality, morbidity, lapse and other assumptions comparable with our experience and expectations of future payment patterns; and (ii) consider future premium receipts on current policies in-force. All estimated cash payments presented are undiscounted as to interest, net of estimated future premiums on in-force policies and gross of any reinsurance recoverable. Payment of amounts related to policyholder dividends left on deposit are projected based on assumptions of policyholder withdrawal activity. Because the exact timing and amount of the ultimate policyholder dividend obligation is subject to significant uncertainty and the amount of the policyholder dividend obligation is based upon a long-term projection of the performance of the closed block, we have reflected the obligation at the amount of the liability, if any, presented on the consolidated balance sheet in the more than five years category. Additionally, the more than five years category includes estimated payments due for periods extending for more than 100 years.

The sum of the estimated cash flows of $318.1 billion exceeds the liability amounts of $204.4 billion included on the consolidated balance sheet principally due to (i) the time value of money, which accounts for a substantial portion of the difference; (ii) differences in assumptions, most significantly mortality, between the date the liabilities were initially established and the current date; and (iii) liabilities related to accounting conventions, or which are not contractually due, which are excluded.

Actual cash payments may differ significantly from the liabilities as presented on the consolidated balance sheet and the estimated cash payments as presented due to differences between actual experience and the assumptions used in the establishment of these liabilities and the estimation of these cash payments.

For the majority of our insurance operations, estimated contractual obligations for future policy benefits and policyholder account balances, as presented, are derived from the annual asset adequacy analysis used to develop actuarial opinions of statutory reserve adequacy for state regulatory purposes. These cash flows are materially representative of the cash flows under GAAP. See "— Policyholder Account Balances."

Policyholder Account Balances

See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for a description of the components of policyholder account balances. See "— Insurance Liabilities" regarding the source and uncertainties associated with the estimation of the contractual obligations related to future policy benefits and policyholder account balances.

Amounts presented represent the estimated cash payments undiscounted as to interest and including assumptions related to the receipt of future premiums and deposits; withdrawals, including unscheduled or partial withdrawals; policy lapses; surrender charges; annuitization; mortality; future interest credited; policy loans and other contingent events as appropriate for the respective product type. Such estimated cash payments are also presented net of estimated future premiums on policies currently in-force and gross of any reinsurance recoverable. For obligations denominated in foreign currencies, cash payments have been estimated using current spot foreign currency rates.

Table of Contents

The sum of the estimated cash flows of $235.0 billion exceeds the liability amount of $183.7 billion included on the consolidated balance sheet principally due to (i) the time value of money, which accounts for a substantial portion of the difference; (ii) differences in assumptions, between the date the liabilities were initially established and the current date; and (iii) liabilities related to accounting conventions, or which are not contractually due, which are excluded.

Payables for Collateral Under Securities Loaned and Other Transactions

We have accepted cash collateral in connection with securities lending and derivatives. As the securities lending transactions expire within the next year and the timing of the return of the derivatives collateral is uncertain, the return of the collateral has been included in the one year or less category in the table above. We also held non-cash collateral, which is not reflected as a liability on the consolidated balance sheet, of $1.4 billion at December 31, 2018.

Debt

Amounts presented for debt include short-term debt, long-term debt, the collateral financing arrangement and junior subordinated debt securities, the total of which differs from the total of the corresponding amounts presented on the consolidated balance sheet as the amounts presented herein (i) do not include premiums or discounts upon issuance or purchase accounting fair value adjustments; (ii) include future interest on such obligations for the period from January 1, 2019 through maturity; and (iii) do not include long-term debt relating to CSEs at December 31, 2018 as such debt does not represent our contractual obligation. Future interest on variable rate debt was computed using prevailing rates at December 31, 2018 and, as such, does not consider the impact of future rate movements. Future interest on fixed rate debt was computed using the stated rate on the obligations for the period from January 1, 2019 through maturity, except with respect to junior subordinated debt which was computed using the stated rates through the scheduled redemption dates as it is our expectation that such obligations will be redeemed as scheduled. Inclusion of interest payments on junior subordinated debt securities through the final maturity dates would increase the contractual obligation by $7.7 billion. Pursuant to the collateral financing arrangement, MetLife, Inc. may be required to deliver cash or pledge collateral to the unaffiliated financial institution. See Note 13 of the Notes to the Consolidated Financial Statements.

Investment Commitments

To enhance the return on our investment portfolio, we commit to lend funds under mortgage loans, bank credit facilities, bridge loans and private corporate bond investments and we commit to fund partnership investments. In the table above, the timing of the funding of mortgage loans and private corporate bond investments is based on the expiration dates of the corresponding commitments. As it relates to commitments to fund partnerships and bank credit facilities, we anticipate that these amounts could be invested any time over the next five years; however, as the timing of the fulfillment of the obligation cannot be predicted, such obligations are generally presented in the one year or less category. Commitments to fund bridge loans are short-term obligations and, as a result, are presented in the one year or less category. See Note 20 of the Notes to the Consolidated Financial Statements and "— Off-Balance Sheet Arrangements."

Operating Leases

As a lessee, we have various operating leases, primarily for office space. Contractual provisions exist that could increase or accelerate those lease obligations presented, including various leases with early buyouts and/or escalation clauses. However, the impact of any such transactions would not be material to our financial position or results of operations. See Note 20 of the Notes to the Consolidated Financial Statements.

Other

Other obligations presented are principally comprised of amounts due under reinsurance agreements, payables related to securities purchased but not yet settled, securities sold short, accrued interest on debt obligations, estimated fair value of derivative obligations, deferred compensation arrangements, guaranty liabilities, and accruals and accounts payable due under contractual obligations, which are all reported in other liabilities on the consolidated balance sheet. If the timing of any of these other obligations is sufficiently uncertain, the amounts are included within the one year or less category. Items reported in other liabilities on the consolidated balance sheet that were excluded from the table represent accounting conventions or are not liabilities due under contractual obligations. Unrecognized tax benefits and related accrued interest totaling $1.3 billion were excluded as the timing of payment could not be reliably determined at December 31, 2018.

Separate account liabilities are excluded as they are fully funded by cash flows from the corresponding separate account assets and are set equal to the estimated fair value of separate account assets.
We also enter into agreements to purchase goods and services in the normal course of business; however, such amounts are excluded as these purchase obligations were not material to our consolidated results of operations or financial position at December 31, 2018.

Table of Contents

Additionally, we have agreements in place for services we conduct, generally at cost, between subsidiaries relating to insurance, reinsurance, loans and capitalization. Intercompany transactions have been eliminated in consolidation. Intercompany transactions among insurance subsidiaries and affiliates have been approved by the appropriate insurance regulators as required.

MetLife, Inc.

Liquidity and Capital Management

Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-term funding sources from the wholesale financial markets and the ability to borrow through credit and committed facilities. Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on MetLife, Inc.'s liquidity. MetLife, Inc. is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of MetLife, Inc.'s liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit MetLife, Inc.'s access to liquidity.

MetLife, Inc.'s ability to maintain regular access to competitively priced wholesale funds is fostered by its current credit ratings from the major credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sources and our liquidity monitoring procedures as critical to retaining such credit ratings. See "— The Company — Capital — Rating Agencies."

Liquidity

For a summary of MetLife, Inc.'s liquidity, see "— The Company — Liquidity."

Capital

For a summary of MetLife, Inc.'s capital, see "— The Company — Capital." See also "— The Company — Liquidity and Cap Uses — Common Stock Repurchases" for information regarding MetLife, Inc.'s common stock repurchases.

Liquid Assets

At December 31, 2018 and 2017, MetLife, Inc. and other MetLife holding companies had $3.0 billion and $5.7 billion, respectively, in liquid assets. Of these amounts, $2.4 billion and $4.1 billion were held by MetLife, Inc. and $607 million and $1.6 billion were held by other MetLife holding companies at December 31, 2018 and 2017, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with derivatives and a collateral financing arrangement.

Liquid assets held in non-U.S. holding companies are generated in part through dividends from non-U.S. insurance operations. Such dividends are subject to local insurance regulatory requirements, as discussed in "— Liquidity and Capital Sources — Dividends from Subsidiaries." The cumulative earnings of certain active non-U.S. operations have historically been reinvested indefinitely in such non-U.S. operations. Following a post-Separation review of our capital needs in the third quarter of 2017, we disclosed our intent to repatriate approximately $3.0 billion of pre-2017 earnings. The Company repatriated $2.6 billion in the fourth quarter of 2017 and the remaining $400 million in the second quarter of 2018. As a result of U.S. Tax Reform, we expect to repatriate future foreign earnings back to the U.S. with minimal or no additional U.S. tax. See Note 18 of the Notes to the Consolidated Financial Statements and "— Risk Factors — Regulatory and Legal Risks — Changes in Tax Laws or Interpretations of Such Laws Could Reduce Our Earnings and Materially Impact Our Operations by Increasing Our Corporate Taxes and Making Some of Our Products Less Attractive to Consumers."

See "— Executive Summary — Consolidated Company Outlook," for the targeted level of liquid assets at the holding companies.

Table of Contents

MetLife, Inc. and Other MetLife Holding Companies Sources and Uses of Liquid Assets and Sources and Uses of Liquid Assets included in Free Cash Flow
MetLife, Inc.'s sources and uses of liquid assets, as well as sources and uses of liquid assets included in free cash flow are summarized as follows.

| | Year Ended December 31, 2018 | | Year Ended December 31, 2017 | | Year Ended December 31, 2016 | |
|---|---|---|---|---|---|---|
| | Sources and Uses of Liquid Assets | Sources and Uses of Liquid Assets Included in Free Cash Flow | Sources and Uses of Liquid Assets | Sources and Uses of Liquid Assets Included in Free Cash Flow | Sources and Uses of Liquid Assets | Sources and Uses of Liquid Assets Included in Free Cash Flow |
| | (In millions) | | | | | |
| MetLife, Inc. (Parent Company Only) | | | | | | |
| Sources: | | | | | | |
| Dividends and returns of capital from subsidiaries (1) | $7,454 | $7,454 | $7,404 | $7,404 | $4,550 | $4,550 |
| Long-term debt issued (2) | — | — | — | — | — | — |
| Repayments on and (issuances of) loans to subsidiaries and related interest, net (3) | — | — | — | — | — | — |
| Preferred stock issued | 1,274 | — | — | — | — | — |
| Other, net (4) | — | — | 107 | 4 | 120 | (210) |
| Total sources | 8,728 | 7,454 | 7,511 | 7,408 | 4,670 | 4,340 |
| Uses: | | | | | | |
| Capital contributions to subsidiaries (5) | 767 | 767 | 339 | 124 | 1,733 | 1,733 |
| Long-term debt repaid — unaffiliated | 1,759 | — | 1,000 | — | 1,250 | — |
| Interest paid on debt and financing arrangements — unaffiliated | 964 | 964 | 980 | 980 | 983 | 983 |
| Dividends on common stock | 1,678 | — | 1,717 | — | 1,736 | — |
| Treasury stock acquired in connection with share repurchases | 3,992 | — | 2,927 | — | 372 | — |
| Dividends on preferred stock | 141 | 141 | 103 | 103 | 103 | 103 |
| Issuances of and (repayments on) loans to subsidiaries and related interest, net (3) | 63 | 63 | 33 | 33 | 99 | 99 |
| Other, net (4) | 1,029 | 1,083 | — | — | — | — |
| Total uses | 10,393 | 3,018 | 7,099 | 1,240 | 6,276 | 2,918 |
| Net increase (decrease) in liquid assets, MetLife, Inc. (Parent Company Only) | (1,665) | | 412 | | (1,606) | |
| Liquid assets, beginning of year | 4,095 | | 3,683 | | 5,289 | |
| Liquid assets, end of year | $2,430 | | $4,095 | | $3,683 | |
| Free Cash Flow, MetLife, Inc. (Parent Company Only) | | 4,436 | | 6,168 | | 1,422 |
| Net cash provided by operating activities, MetLife, Inc. (Parent Company Only) | $5,494 | | $6,462 | | $3,747 | |
| | | | | | | |
| Other MetLife Holding Companies | | | | | | |
| Sources: | | | | | | |
| Dividends and returns of capital from subsidiaries | $2,836 | $2,836 | $2,125 | $2,125 | $1,485 | $1,485 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Capital contributions from MetLife, Inc. | — | — | — | — | — | — |
| Total sources | 2,836 | 2,836 | 2,125 | 2,125 | 1,485 | 1,485 |
| Uses: | | | | | | |
| Capital contributions to subsidiaries | 57 | 57 | 12 | 12 | 53 | 53 |
| Repayments on and (issuance of) loans to subsidiaries and affiliates and related interest, net | 6 | 6 | 6 | 6 | 307 | 307 |
| Dividends and returns of capital to MetLife, Inc. | 3,200 | 3,200 | 2,200 | 2,200 | — | — |
| Other, net | 603 | 603 | 408 | 408 | 123 | 123 |
| Total uses | 3,866 | 3,866 | 2,626 | 2,626 | 483 | 483 |
| Net increase (decrease) in liquid assets, Other MetLife Holding Companies | (1,030 ) | | (501 ) | | 1,002 | |
| Liquid assets, beginning of year | 1,643 | | 2,144 | | 1,142 | |
| Liquid assets, end of year | $613 | | $1,643 | | $2,144 | |
| Free Cash Flow, Other MetLife Holding Companies | | (1,030 ) | | (501 ) | | 1,002 |
| Net increase (decrease) in liquid assets, All Holding Companies | $(2,695) | | $(89 ) | | $(604 ) | |
| Free Cash Flow, All Holding Companies (6) (7) | | $ 3,406 | | $ 5,667 | | $ 2,424 |

---

159

Table of Contents

(1) Dividends and returns of capital to MetLife, Inc. included $4.3 billion, $5.2 billion and $4.6 billion from operating subsidiaries and $3.2 billion, $2.2 billion and $0 from other MetLife holding companies during the years ended December 31, 2018, 2017 and 2016, respectively. Included in dividends and returns of capital to MetLife, Inc. are the following which increased MetLife, Inc. liquid assets and free cash flow: dividends from Brighthouse subsidiaries of $0, $1.8 billion and $556 million, and returns of capital from Brighthouse subsidiaries of $0, $590 million and $0, during the years ended December 31, 2018, 2017 and 2016, respectively. Also, dividends and returns of capital to MetLife, Inc. includes $49 million from the June 2017 issuance by Brighthouse Holdings, LLC of 50,000 units of 6.50% fixed rate cumulative preferred units to MetLife, Inc. which MetLife, Inc. sold to third-party investors.

(2) Included in free cash flow is the portion of long-term debt issued that represents incremental debt to be at or below target leverage ratios.

(3) See MetLife, Inc. (Parent Company Only) Condensed Statements of Cash Flows included in Schedule II of the Financial Statement Schedules for the source of liquid assets from receipts on loans to subsidiaries (excluding interest) and for the use of liquid assets for the issuances of loans to subsidiaries (excluding interest).

(4) Other, net includes ($877) million, $860 million and $433 million of net receipts (payments) by MetLife, Inc. to and from subsidiaries under a tax sharing agreement and tax payments to tax agencies during the years ended December 31, 2018, 2017 and 2016, respectively.

(5) Amounts to fund business acquisitions were $0, $215 million and $0 (included in capital contributions to subsidiaries) during the years ended December 31, 2018, 2017 and 2016, respectively.

(6) In 2018, $268 million of Separation-related items (comprised of certain Separation-related inflows primarily related to reinsurance benefit from Brighthouse) were included in free cash flow, which increased our holding companies' liquid assets, as well as our free cash flow ratio. Excluding these Separation-related items, adjusted free cash flow would be $3.1 billion for the year ended December 31, 2018. In 2017, $2.1 billion of Separation-related items (comprised of certain Separation-related inflows primarily related to dividends from Brighthouse, net of outflows) were included in the free cash flow, which increased our holding companies' liquid assets, as well as our free cash flow ratio. Excluding these Separation-related items, adjusted free cash flow would be $3.6 billion for the year ended December 31, 2017. In 2016, we incurred $2.3 billion of Separation-related items (comprised of certain Separation-related outflows, net of inflows related to dividends from Brighthouse subsidiaries) which reduced our holding companies' liquid assets, as well as our free cash flow and free cash flow ratio. Excluding these Separation-related items, adjusted free cash flow would be $4.7 billion for the year ended December 31, 2016.

(7) See "— Non-GAAP and Other Financial Disclosures" for the reconciliation of net cash provided by operating activities of MetLife, Inc. to free cash flow of all holding companies.

Sources and Uses of Liquid Assets of MetLife, Inc.

The primary sources of MetLife, Inc.'s liquid assets are dividends and returns of capital from subsidiaries, issuances of long-term debt, issuances of common and preferred stock, and net receipts from subsidiaries under a tax sharing agreement. MetLife, Inc.'s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. See "— Liquidity and Capital Sources — Dividends from Subsidiaries."

The primary uses of MetLife, Inc.'s liquid assets are principal and interest payments on long-term debt, dividends on and repurchases of common and preferred stock, capital contributions to subsidiaries, funding of business acquisitions, income taxes and operating expenses. MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. See "— Liquidity and Capital Uses — Support Agreements."

In addition, MetLife, Inc. issues loans to subsidiaries or subsidiaries issue loans to MetLife, Inc. Accordingly, changes in MetLife, Inc. liquid assets include issuances of loans to subsidiaries, proceeds of loans from subsidiaries and the related repayment of principal and payment of interest on such loans. See "— Liquidity and Capital Sources — Affiliated Long-term Debt" and "— Liquidity and Capital Uses — Affiliated Capital and Debt Transactions."

Sources and Uses of Liquid Assets of Other MetLife Holding Companies

The primary sources of liquid assets of other MetLife holding companies are dividends, returns of capital and remittances from their subsidiaries and branches, principally non-U.S. insurance companies; capital contributions received; receipts of principal and interest on loans to subsidiaries and affiliates and borrowings from subsidiaries and affiliates. MetLife, Inc.’s non-U.S. operations are subject to regulatory restrictions on the payment of dividends imposed by local regulators. See “— Liquidity and Capital Sources — Dividends from Subsidiaries.”

Table of Contents

The primary uses of liquid assets of other MetLife holding companies are capital contributions paid to their subsidiaries and branches, principally non-U.S. insurance companies; loans to subsidiaries and affiliates; principal and interest paid on loans from subsidiaries and affiliates; dividends and returns of capital to MetLife, Inc. and the following items, which are reported within other, net: business acquisitions; and operating expenses. There were no uses of liquid assets of other MetLife holding companies to fund business acquisitions during the years ended December 31, 2018, 2017, or 2016.

Liquidity and Capital Sources

In addition to the description of liquidity and capital sources in "— The Company — Summary of the Company's Primary Sources and Uses of Liquidity and Capital" and "— The Company — Liquidity and Capital Sources," MetLife, Inc.'s primary sources of liquidity and capital are set forth below.

Dividends from Subsidiaries

MetLife, Inc. relies, in part, on dividends from its subsidiaries to meet its cash requirements. MetLife, Inc.'s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. See Note 15 of the Notes to the Consolidated Financial Statements. 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 we conduct 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.

The table below sets forth the dividends permitted to be paid by MetLife, Inc.'s primary insurance subsidiaries without insurance regulatory approval and the actual dividends paid:

| Company | 2019 Permitted Without Approval (1) | 2018 Paid (2) | 2018 Permitted Without Approval (3) | 2017 Paid (2) | 2017 Permitted Without Approval (3) | 2016 Paid (2) | 2016 Permitted Without Approval (3) |
|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | |
| Metropolitan Life Insurance Company | $3,096 | $3,736 (3) | $ 3,075 | $2,523 | $ 2,723 | $5,740 (4) | $ 3,753 |
| American Life Insurance Company | $— | $3,200 | $ — | $2,200 | $ — | $— | $ — |
| Brighthouse Life Insurance Company | N/A | N/A | N/A | $— | $ 473 (5) | $261 | $ 586 |
| Metropolitan Property and Casualty Insurance Company | $171 | $233 | $ 125 | $185 | $ 98 | $228 | $ 130 |
| Metropolitan Tower Life Insurance Company (6) | $154 | $191 (6) | $ 73 | $— | $ 66 | $60 | $ 70 |
| New England Life Insurance Company | N/A | N/A | N/A | $— | $ 106 (5) | $295 | $ 156 |
| General American Life Insurance Company (6) | N/A | $— | $ 118 | $1 | $ 91 | $— | $ 136 |

(1) Reflects dividend amounts that may be paid during the relevant year without prior regulatory approval ("ordinary dividends"). However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during such year, some or all of such dividends may require regulatory approval.

(2) Reflects all amounts paid, including those where regulatory approval was obtained as required ("extraordinary dividends").

(3) Represents ordinary dividends of $3.0 billion and an extraordinary dividend of $705 million. The extraordinary dividend was paid in cash with proceeds from the sale to an affiliate of certain property, equipment, leasehold

improvements and computer software that were non-admitted by MLIC for statutory accounting purposes. The affiliate received a capital contribution in cash from MetLife, Inc. to fund the purchase.

(4) In 2016, MLIC paid an ordinary cash dividend to MetLife, Inc. in the amount of $3.6 billion. In addition, in December 2016, MLIC distributed all of the issued and outstanding shares of common stock of each of New England Life Insurance Company (“NELICO”) and GALIC to MetLife, Inc. in the form of a non-cash extraordinary dividend in the amount of $981 million and $1.2 billion, respectively, as calculated on a statutory basis.

Table of Contents

(5) In April 2017, in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of common stock of each of Brighthouse Insurance and NELICO to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse Insurance and NELICO ceased to be subsidiaries of MetLife, Inc. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding the Separation.

(6) In April 2018, MTL merged with GALIC ("MTL Merger"). The surviving entity of the merger was MTL, which re-domesticated from Delaware to Nebraska immediately prior to the merger. The total dividends paid of $191 million is equal to the sum of the individual 2018 ordinary dividends that MTL and GALIC would each have been permitted to pay computed on a stand-alone basis if the MTL Merger had not occurred.

In addition to the amounts presented in the table above, in August 2017, Brighthouse Financial, Inc. paid a cash dividend to MetLife, Inc. of $1.8 billion in connection with the Separation. For the years ended December 31, 2018, 2017 and 2016, MetLife, Inc. also received cash payments of $7 million, $39 million and $26 million, respectively, representing dividends from non-Brighthouse subsidiaries. Additionally, for the year ended December 31, 2018, MetLife, Inc. received cash returns of capital of $87 million. For the year ended December 31, 2017, MetLife, Inc. received cash returns of capital of $610 million from certain subsidiaries, including $590 million from MetLife Reinsurance Company of South Carolina ("MRSC"), in connection with the Separation. For the year ended December 31, 2016, MetLife, Inc. received cash of $80 million, representing returns of capital from certain subsidiaries. See Note 3 of the Notes to the Consolidated Financial Statements.

The dividend capacity of our non-U.S. operations is subject to similar restrictions established by the local regulators. The non-U.S. regulatory regimes also commonly limit dividend payments to the parent company to a portion of the subsidiary's prior year statutory income, as determined by the local accounting principles. The regulators of our non-U.S. operations, including the FSA, may also limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers are deemed to be detrimental to the solvency or financial strength of the non-U.S. operations, or for other reasons. Most of our non-U.S. subsidiaries are second tier subsidiaries which are owned by various non-U.S. holding companies. The capital and rating considerations applicable to our first tier subsidiaries may also impact the dividend flow into MetLife, Inc.

We proactively manage target and excess capital levels and dividend flows and forecast local capital positions as part of the financial planning cycle. The dividend capacity of certain U.S. and non-U.S. subsidiaries is also subject to business targets in excess of the minimum capital necessary to maintain the desired rating or level of financial strength in the relevant market. See "Risk Factors — Capital Risks — As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Pay Dividends, a Major Component of Holding Company Free Cash Flow" and Note 15 of the Notes to the Consolidated Financial Statements.

Short-term Debt

MetLife, Inc. maintains a commercial paper program, the proceeds of which can be used to finance the general liquidity needs of MetLife, Inc. and its subsidiaries. MetLife, Inc. had no short-term debt outstanding at either December 31, 2018 or 2017.

Preferred Stock

For information on MetLife, Inc.'s preferred stock, see "— The Company — Liquidity and Capital Sources — Global Funding Sources — Preferred Stock."

Affiliated Long-term Debt

In May 2018, $500 million in senior notes previously issued by MetLife, Inc. to MLIC and other subsidiaries were redenominated to new 54.6 billion Japanese yen senior notes. The 54.6 billion Japanese yen senior notes mature in December 2021 and bear interest at a rate per annum of 3.14%, payable semi-annually.

In April 2018, $500 million in senior notes previously issued by MetLife, Inc. to MLIC and other subsidiaries were redenominated to new 53.7 billion Japanese yen senior notes. The 53.7 billion Japanese yen senior notes mature in July 2021 and bear interest at a rate per annum of 2.97%, payable semi-annually.

In March 2018, three senior notes previously issued by MetLife, Inc. to MLIC were redenominated to Japanese yen. A $500 million senior note was redenominated to a new 53.3 billion Japanese yen senior note. The 53.3 billion Japanese yen senior note matures in June 2019 and bears interest at a rate per annum of 1.45%, payable semi-annually. A $250 million senior note was redenominated to a new 26.5 billion Japanese yen senior note. The 26.5 billion Japanese yen senior note matures in October 2019 and bears interest at a rate per annum of 1.72%, payable semi-annually. A $250 million senior note was also redenominated to a new 26.5 billion Japanese yen senior note. The 26.5 billion Japanese yen senior note matures in September 2020 and bears interest at a rate per annum of 0.82%, payable semi-annually.

162

Table of Contents

In September 2016, a $250 million senior note issued to MLIC matured and, subsequently, in September 2016 MetLife, Inc. issued a new $250 million senior note to MLIC. The senior note matures in September 2020 and bears interest at a rate per annum of 3.03%, payable semi-annually.

Collateral Financing Arrangement and Junior Subordinated Debt Securities

For information on MetLife, Inc.'s collateral financing arrangement and junior subordinated debt securities, see Notes 13 and 14 of the Notes to the Consolidated Financial Statements, respectively, and Note 5 of the Notes to the MetLife, Inc. (Parent Company Only) Condensed Financial Information in Schedule II.

Credit and Committed Facilities

See "— The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities," as w as Note 12 of the Notes to the Consolidated Financial Statements, for further information regarding the unsecured revolving credit facility and these committed facilities.

In June 2016, MetLife, Inc. entered into a five-year agreement with an indirect wholly-owned subsidiary, MetLife Ireland Treasury d.a.c. (formerly known as MetLife Ireland Treasury Limited) ("MIT"), to borrow up to $1.3 billion on a revolving basis, at interest rates based on the IRS safe harbor interest rate in effect at the time of the borrowing. MetLife, Inc. may borrow funds under the agreement at MIT's discretion and subject to the availability of funds. There were no outstanding borrowings at December 31, 2018.

Long-term Debt Outstanding

The following table summarizes the outstanding long-term debt of MetLife, Inc. at:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Long-term debt — unaffiliated | $11,844 | $14,599 |
| Long-term debt — affiliated (1) | $1,957 | $2,000 |
| Junior subordinated debt securities | $2,456 | $2,454 |

(1) See "— Affiliated Long-term Debt."

Debt and Facility Covenants

Certain of MetLife, Inc.'s debt instruments and committed facilities, as well as its unsecured revolving credit facility, contain various administrative, reporting, legal and financial covenants. MetLife, Inc. believes it was in compliance with all applicable financial covenants at December 31, 2018.

Dispositions

Cash proceeds from dispositions during the years ended December 31, 2018, 2017 and 2016 were $0, $0 and $291 million, respectively. See Note 3 of the Notes to the Consolidated Financial Statements.

Liquidity and Capital Uses

The primary uses of liquidity of MetLife, Inc. include debt service, cash dividends on common and preferred stock, capital contributions to subsidiaries, common stock, preferred stock and debt repurchases, 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 investment portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable MetLife, Inc. to make payments on debt, pay cash dividends on its common and preferred stock, contribute capital to its subsidiaries, repurchase its common stock, pay all general operating expenses and meet its cash needs.

In addition to the description of liquidity and capital uses in "— The Company — Liquidity and Capital Uses" and "— The Company — Contractual Obligations," MetLife, Inc.'s primary uses of liquidity and capital are set forth below.

Table of Contents

Affiliated Capital and Debt Transactions

During the years ended December 31, 2018 and 2017, MetLife, Inc. invested a net amount of $778 million and $729 million, respectively, in various non-Brighthouse subsidiaries. During the year ended December 31, 2016, MetLife, Inc. invested a net amount of $1.5 billion, in various subsidiaries, which included a cash capital contribution of $1.5 billion to Brighthouse Insurance in connection with the Separation.

MetLife, Inc. lends funds, as necessary, through credit agreements or otherwise to its subsidiaries and affiliates, some of which are regulated, to meet their capital requirements or to provide liquidity. MetLife, Inc. had loans to subsidiaries outstanding of $100 million at both December 31, 2018 and 2017.

In April 2017, in connection with the Separation, MetLife Reinsurance Company of Delaware (“MRD”) repaid $750 million and $350 million of surplus notes to MetLife, Inc., in an exchange transaction. The $750 million surplus note bore interest at a fixed rate of 5.13% and the $350 million surplus note bore interest at a fixed rate of 6.00%, both payable semi-annually. Simultaneously, MetLife, Inc. repaid $750 million and $350 million senior notes to MRD.

In February 2017, in connection with the Separation, MetLife, Inc. exchanged $750 million aggregate principal amount of its 9.250% Fixed-to-Floating Rate Junior Subordinated Debentures due 2068 for $750 million aggregate liquidation preference of the 9.250% Fixed-to- Floating Rate Exchangeable Surplus Trust Securities of MetLife Capital Trust X (the “Trust”). As a result of the exchange, MetLife, Inc. became the sole beneficial owner of the Trust, a special purpose entity which issued the exchangeable surplus trust securities to third-party investors. In March 2017, MetLife, Inc. dissolved the Trust and became the direct holder of $750 million 8.595% surplus notes previously held by the Trust that were issued by Brighthouse Insurance. See Note 14 of the Notes to the Consolidated Financial Statements. In June 2017, MetLife, Inc. forgave Brighthouse Insurance’s obligation to pay the principal amount of such surplus notes. This transaction, which was a non-cash capital contribution to Brighthouse Holdings, LLC, and a corresponding non-cash capital contribution to Brighthouse Insurance, had no impact on the consolidated financial statements of MetLife, Inc. as of the date of the transaction.

In April 2016, American Life issued a $140 million short-term note to MetLife, Inc. which was repaid in June 2016. The short-term note bore interest at six-month LIBOR plus 1.00%.

Debt Repayments

For information on MetLife, Inc.’s debt repayments, see “— The Company — Liquidity and Capital Uses — Debt Repayments

MetLife, Inc. intends to repay or refinance, in whole or in part, all the debt that is due in 2019. See Note 3 of the Notes to the Consolidated Financial Statements for discussion of a $2.8 billion repayment on the MRSC collateral financing agreement liability in April 2017 in connection with the Separation, utilizing assets held in trust.

Repayments of Affiliated Long-term Debt

In April 2017, in connection with the Separation, MetLife, Inc. in an exchange transaction repaid $750 million and $350 million of senior notes to MRD due September 2032 and December 2033, respectively. The $750 million senior note bore interest at a fixed rate of 4.21% and the $350 million senior note bore interest at a fixed rate of 5.10%. Simultaneously, MRD repaid $750 million and $350 million of surplus notes to MetLife, Inc.

In June 2016 and March 2016, MetLife, Inc. repaid $204 million and $10 million, respectively, of affiliated long-term debt to MetLife Exchange Trust I, at maturity, in exchange for returns of capital. The long-term notes bore interest at three-month LIBOR plus 0.70%.

Table of Contents

Maturities of Senior Notes

The following table summarizes MetLife, Inc.'s outstanding senior notes by year of maturity through 2023 and 2024 to 2046, excluding any premium or discount and unamortized issuance costs, at December 31, 2018:

| Year of Maturity | Principal (In millions) | | Interest Rate |
|---|---|---|---|
| 2019 | $ 486 | (1) | 1.45% |
| 2019 | $ 242 | (1) | 1.72% |
| 2020 | $ 509 | | 5.25% |
| 2020 | $ 242 | (1) | 0.82% |
| 2021 | $ 368 | | 4.75% |
| 2021 | $ 490 | (1) | 2.97% |
| 2021 | $ 497 | (1) | 3.14% |
| 2022 | $ 500 | | 3.05% |
| 2023 | $ 1,000 | | 4.37% |
| 2024 - 2046 | $ 9,546 | | Ranging from 3.00% - 6.50% |

(1) Represents affiliated debt.

Support Agreements

MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arrangements, MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. See "— The Company — Liquidity and Capital Uses — Support Agreements."

MetLife, Inc. guarantees the obligations of its subsidiary, Missouri Reinsurance, Inc. ("MoRe"), under a retrocession agreement with RGA Reinsurance (Barbados) Inc., pursuant to which MoRe retrocedes a portion of the closed block liabilities associated with industrial life and ordinary life insurance policies that it assumed from MLIC.

MetLife, Inc. guarantees the obligations of MetLife Reinsurance Company of Bermuda, Ltd. ("MrB"), a Bermuda insurance affiliate and an indirect, wholly-owned subsidiary of MetLife, Inc. under a reinsurance agreement with Mitsui Sumitomo Primary Life Insurance Co., Ltd. ("Mitsui"), a former affiliate that is now an unaffiliated third party, under which MrB reinsures certain variable annuity business written by Mitsui.

MetLife, Inc. guarantees the obligations of MrB in an aggregate amount up to $1.0 billion, under a reinsurance agreement with MetLife Europe d.a.c. ("MEL") (formerly known as MetLife Europe Limited), under which MrB reinsured the guaranteed living benefits and guaranteed death benefits associated with certain unit-linked variable annuity type liability contracts issued by MEL.

MetLife, Inc., in connection with MetLife Reinsurance Company of Vermont's ("MRV") reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause the two protected cells of MRV to maintain total adjusted capital in an amount that is equal to or greater than 200% of each such protected cell's authorized control level RBC, as defined in Vermont state insurance statutes. See Note 12 of the Notes to the Consolidated Financial Statements.

MetLife, Inc., in connection with the collateral financing arrangement associated with MRC's reinsurance of a portion of the liabilities associated with the closed block, committed to the South Carolina Department of Insurance to make capital contributions, if necessary, to MRC so that MRC may at all times maintain its total adjusted capital in an amount that is equal to or greater than 200% of the company action level RBC, as defined in South Carolina state insurance statutes as in effect on the date of determination or December 31, 2007, whichever calculation produces the greater capital requirement, or as otherwise required by the South Carolina Department of Insurance. See Note 13 of the Notes to the Consolidated Financial Statements.

Table of Contents

MetLife, Inc. guarantees obligations arising from OTC-bilateral derivatives of the following subsidiaries: MrB, MetLife International Holdings, LLC and MetLife Worldwide Holdings, LLC. These subsidiaries are exposed to various risks relating to their ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. These subsidiaries use a variety of strategies to manage these risks, including the use of derivatives. Further, all of the subsidiaries' derivatives are subject to industry standard netting agreements and collateral agreements that limit the unsecured portion of any open derivative position. On a net counterparty basis at December 31, 2018 and 2017, derivative transactions with positive mark-to-market values (in-the-money) were $302 million and $515 million, respectively, and derivative transactions with negative mark-to-market values (out-of-the-money) were $84 million and $126 million, respectively. To secure the obligations represented by the out of-the-money transactions, the subsidiaries had provided collateral to their counterparties with an estimated fair value of $84 million and $114 million at December 31, 2018 and 2017, respectively. Accordingly, unsecured derivative liabilities guaranteed by MetLife, Inc. were $0 and $12 million at December 31, 2018 and 2017, respectively.
MetLife, Inc. also guarantees the obligations of certain of its subsidiaries under committed facilities with third-party banks. See Note 12 of the Notes to the Consolidated Financial Statements.

Acquisitions

Cash outflows for acquisitions during the years ended December 31, 2018, 2017 and 2016 were $0, $211 million and $0, respectively.

Adoption of New Accounting Pronouncements

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

Future Adoption of New Accounting Pronouncements

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

Non-GAAP and Other Financial Disclosures

In this report, the Company presents certain measures of its performance that are not calculated in accordance with GAAP. We believe that these non-GAAP financial measures enhance the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business.

The following non-GAAP financial measures should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP:

| Non-GAAP financial measures: | Comparable GAAP financial measures: |
|---|---|
| (i) adjusted revenues | (i) revenues |
| (ii) adjusted expenses | (ii) expenses |
| (iii) adjusted earnings | (iii) income (loss) from continuing operations, net of income tax |
| (iv) adjusted earnings available to common shareholders | (iv) net income (loss) available to MetLife, Inc.'s common shareholders |
| (v) free cash flow of all holding companies | (v) MetLife, Inc. (parent company only) net cash provided by operating activities |

Reconciliations of these non-GAAP measures to the most directly comparable historical GAAP measures are included in this section and the results of operations, see "— Results of Operations." Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are not accessible on a forward-looking basis because we believe it is not possible without unreasonable effort to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a material impact on net income.

Our definitions of the various non-GAAP and other financial measures discussed in this report may differ from those used by other companies.

Table of Contents

Adjusted earnings and related measures:
- adjusted earnings; and
- adjusted earnings available to common shareholders.

These measures are used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, adjusted earnings is also our GAAP measure of segment performance. Adjusted earnings and other financial measures based on adjusted earnings are also the measures by which senior management's and many other employees' performance is evaluated for the purposes of determining their compensation under applicable compensation plans. Adjusted earnings and other financial measures based on adjusted earnings allow analysis of our performance relative to our business plan and facilitate comparisons to industry results.

Adjusted earnings is defined as adjusted revenues less adjusted expenses, net of income tax. Adjusted loss is defined as negative adjusted earnings. Adjusted earnings available to common shareholders is defined as adjusted earnings less preferred stock dividends.

Adjusted revenues and adjusted expenses

The financial measures of adjusted revenues and adjusted expenses focus on our primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations under GAAP and other businesses that have been or will be sold or exited by MetLife but do not meet the discontinued operations criteria under GAAP and are referred to as divested businesses. Divested businesses also includes the net impact of transactions with exited businesses that have been eliminated in consolidation under GAAP and costs relating to businesses that have been or will be sold or exited by MetLife that do not meet the criteria to be included in results of discontinued operations under GAAP. In addition, for the year ended December 31, 2016, adjusted revenues and adjusted expenses exclude the financial impact of converting the Company's Japan operations to calendar year-end reporting without retrospective application of this change to prior periods and is referred to as lag elimination. Adjusted revenues also excludes net investment gains (losses) and net derivative gains (losses). Adjusted expenses also excludes goodwill impairments.

The following additional adjustments are made to revenues, in the line items indicated, in calculating adjusted revenues:

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees ("GMIB fees");
- Net investment income: (i) includes earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment ("Investment hedge adjustments"), (ii) excludes post-tax adjusted earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iii) excludes certain amounts related to contractholder-directed equity securities ("Unit-linked contract income"), (iv) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP and (v) includes distributions of profits from certain other limited partnership interests that were previously accounted for under the cost method, but are now accounted for at estimated fair value, where the change in estimated fair value is recognized in net investment gains (losses) under GAAP; and
- Other revenues is adjusted for settlements of foreign currency earnings hedges and excludes fees received in association with services provided under transition service agreements ("TSA fees").

167

Table of Contents

The following additional adjustments are made to expenses, in the line items indicated, in calculating adjusted expenses:

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass through adjustments, (iii) benefits and hedging costs related to GMIBs ("GMIB costs") and (iv) market value adjustments associated with surrenders or terminations of contracts ("Market value adjustments");
- Interest credited to policyholder account balances includes adjustments for earned income on derivatives and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment and excludes certain amounts related to net investment income earned on contractholder-directed equity securities;
- Amortization of DAC and VOBA excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB fees and GMIB costs and (iii) Market value adjustments;
- Amortization of negative VOBA excludes amounts related to Market value adjustments;
- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements and (iii) acquisition, integration and other costs. Other expenses includes TSA fees.

Adjusted earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance.

The tax impact of the adjustments mentioned above are calculated net of the U.S. or foreign statutory tax rate, which could differ from the Company's effective tax rate. Additionally, the provision for income tax (expense) benefit also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

Return on equity, allocated equity and related measures:

- MetLife, Inc.'s common stockholders' equity, excluding AOCI other than FCTA, is defined as MetLife, Inc.'s common stockholders' equity, excluding the net unrealized investment gains (losses) and defined benefit plans adjustment components of AOCI, net of income tax.
- Adjusted return on MetLife, Inc.'s common stockholders' equity is defined as adjusted earnings available to common shareholders divided by MetLife, Inc.'s average common stockholders' equity.
- Adjusted return on MetLife, Inc.'s common stockholders' equity, excluding AOCI other than FCTA is defined as adjusted earnings available to common shareholders divided by MetLife, Inc.'s average common stockholders' equity, excluding AOCI other than FCTA.
- Allocated equity is the portion of MetLife, Inc.'s common stockholders' equity that management allocates to each of its segments and sub-segments based on local capital requirements and economic capital. See "— Economic Capital." Allocated equity excludes the impact of AOCI other than FCTA.

The above measures represent a level of equity consistent with the view that, in the ordinary course of business, we do not plan to sell most investments for the sole purpose of realizing gains or losses. Also refer to the utilization of adjusted earnings and other financial measures based on adjusted earnings mentioned above.

Expense ratio and direct expense ratio:

- Expense ratio: other expenses, net of capitalization of DAC, divided by premiums, fees and other revenues.
- Direct expense ratio: direct expenses, on an adjusted basis, divided by adjusted premiums, fees and other revenues. Direct expenses are comprised of employee-related costs, third party staffing costs, and general and administrative expenses.
- Direct expense ratio, excluding total notable items related to direct expenses and pension risk transfers: direct expenses, on an adjusted basis, excluding total notable items related to direct expenses, divided by adjusted premiums, fees and other revenues, excluding pension risk transfers.

168

Table of Contents

The following additional information is relevant to an understanding of our performance results:

- The impact of changes in our foreign currency exchange rates is calculated using the average foreign currency exchange rates for the most recent year being compared and applied to the comparable prior year ("Constant Currency Basis").
- We sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity. Further, sales statistics for our Latin America, Asia and EMEA segments are on a Constant Currency Basis.
- Near-term represents one to three years.
- Asymmetrical and non-economic accounting refers to: (i) the portion of net derivative gains (losses) on embedded derivatives attributable to the inclusion of our credit spreads in the liability valuations, (ii) hedging activity that generates net derivative gains (losses) and creates fluctuations in net income because hedge accounting cannot be achieved and the item being hedged does not a have an offsetting gain or loss recognized in earnings, (iii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass through adjustments, and (iv) impact of changes in foreign currency exchange rates on the re-measurement of foreign denominated unhedged funding agreements and financing transactions to the U.S. dollar and the re-measurement of certain liabilities from non-functional currencies to functional currencies. We believe that excluding the impact of asymmetrical and non-economic accounting from total GAAP results enhances investor understanding of our performance by disclosing how these accounting practices affect reported GAAP results.
- Notable items represent a positive (negative) impact to adjusted earnings available to common shareholders. Notable items reflect the unexpected impact of events that affect MetLife's results, but that were unknown and that MetLife could not anticipate when it devised its Business Plan. Notable items also include certain items regardless of the extent anticipated in the Business Plan, to help investors have a better understanding of MetLife's results and to evaluate and forecast those results.
- The Company uses a measure of free cash flow to facilitate an understanding of its ability to generate cash for reinvestment into its businesses or use in non-mandatory capital actions. The Company defines free cash flow as the sum of cash available at MetLife's holding companies from dividends from operating subsidiaries, expenses and other net flows of the holding companies (including capital contributions to subsidiaries), and net contributions from debt to be at or below target leverage ratios. This measure of free cash flow is prior to capital actions, such as common stock dividends and repurchases, debt reduction and mergers and acquisitions. Free cash flow should not be viewed as a substitute for net cash provided by (used in) operating activities calculated in accordance with GAAP. The free cash flow ratio is typically expressed as a percentage of annual adjusted earnings available to common shareholders. A reconciliation of net cash provided by operating activities of MetLife, Inc. (parent company only) to free cash flow of all holding companies for the years ended December 31, 2018, 2017 and 2016 is provided below.

Table of Contents

| Reconciliation of Net Cash Provided by Operating Activities of MetLife, Inc. to Free Cash Flow of All Holding Companies | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| MetLife, Inc. (parent company only) net cash provided by operating activities | $5,494 | $6,462 | $3,747 |
| Adjustments from net cash provided by operating activities to free cash flow: | | | |
| Add: Incremental debt to be at or below target leverage ratios | — | — | — |
| Add: Capital contributions to subsidiaries | (767) | (124) | (1,733) |
| Add: Returns of capital from subsidiaries | 87 | 610 | 80 |
| Add: Investment portfolio and derivatives changes and other, net | (378) | (780) | (672) |
| MetLife, Inc. (parent company only) free cash flow | 4,436 | 6,168 | 1,422 |
| Other MetLife, Inc. holding companies: | | | |
| Add: Dividends and returns of capital from subsidiaries | 2,836 | 2,125 | 1,485 |
| Add: Capital contributions to subsidiaries | (57) | (12) | (53) |
| Add: Repayments on and (issuances of) loans to subsidiaries, net | (6) | (6) | (307) |
| Add: Other expenses | (771) | (626) | (671) |
| Add: Dividends and returns of capital to MetLife, Inc. | (3,200) | (2,200) | — |
| Add: Investment portfolio and derivative changes and other, net | 168 | 218 | 548 |
| Total other MetLife, Inc. holding companies free cash flow | (1,030) | (501) | 1,002 |
| Free cash flow of all holding companies (1) | $3,406 | $5,667 | $2,424 |
| | | | |
| Ratio of net cash provided by operating activities to consolidated net income (loss) available to MetLife, Inc.'s common shareholders: | | | |
| MetLife, Inc. (parent company only) net cash provided by operating activities | $5,494 | $6,462 | $3,747 |
| Consolidated net income (loss) available to MetLife, Inc.'s common shareholders (1) | $4,982 | $3,907 | $747 |
| Ratio of net cash provided by operating activities (parent company only) to consolidated net income (loss) available to MetLife, Inc.'s common shareholders (1) (2) | 110 % | 165 % | 502 % |
| Ratio of free cash flow to adjusted earnings available to common shareholders: | | | |
| Free cash flow of all holding companies (3) | $3,406 | $5,667 | $2,424 |
| Consolidated adjusted earnings available to common shareholders (3) | $5,461 | $4,235 | $4,033 |
| Ratio of free cash flow of all holding companies to consolidated adjusted earnings available to common shareholders (3) | 62 % | 134 % | 60 % |

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(1) Consolidated net income (loss) available to MetLife, Inc.'s common shareholders for 2018 includes Separation-related costs of $80 million, net of income tax. Excluding this amount from the denominator of the ratio, this ratio, as adjusted, would be 109%. Consolidated net income (loss) available to MetLife, Inc.'s common shareholders for 2017 includes Separation-related costs of $312 million, net of income tax. Excluding this amount from the denominator of the ratio, this ratio, as adjusted, would be 153%. Consolidated net income (loss) available to MetLife, Inc.'s common shareholders for 2016 includes Separation-related costs of $73 million, net of income tax. Excluding this amount from the denominator of the ratio, this ratio, as adjusted, would be 457%. See "— Liquidity and Capital Resources — MetLife, Inc. — Liquid Assets — MetLife, Inc. and Other MetLife Holding Companies Sources and Uses of Liquid Assets and Sources and Uses of Liquid Assets included in Free Cash Flow."

Table of Contents

(2) Including the free cash flow of other MetLife, Inc. holding companies of ($1.0) billion, ($501) million and $1.0 billion for the years ended December 31, 2018, 2017 and 2016, respectively, in the numerator of the ratio, this ratio, as adjusted, would be 90%, 153% and 636%, respectively. Including the free cash flow of other MetLife, Inc. holding companies in the numerator of the ratio and excluding the Separation-related costs and uncertain tax position non-cash charge from the denominator of the ratio, this ratio, as adjusted, would be 88%, 141% and 579% for the years ended December 31, 2018, 2017 and 2016, respectively.

(3) i) In 2018, $268 million of Separation-related items (comprised of certain Separation-related inflows primarily related to reinsurance benefit from Brighthouse) were included in free cash flow, which increased our holding companies' liquid assets, as well as our free cash flow ratio. Excluding these Separation-related items, adjusted free cash flow would be $3.1 billion for the year ended December 31, 2018. Consolidated adjusted earnings available to common shareholders for 2018 was negatively impacted by notable items, primarily related to expense initiative costs of $284 million, net of income tax, partially offset by tax adjustments of $247 million, net of income tax. Excluding the Separation-related items, which increased free cash flow, from the numerator of the ratio and excluding such notable items negatively impacting consolidated adjusted earnings available to common shareholders from the denominator of the ratio, the adjusted free cash flow ratio for 2018 would be 56%.

ii) In 2017, $2.1 billion of Separation-related items (comprised of certain Separation-related inflows primarily related to dividends from Brighthouse, net of outflows) were included in the free cash flow, which increased our holding companies' liquid assets, as well as our free cash flow ratio. Excluding these Separation-related items, adjusted free cash flow would be $3.6 billion for the year ended December 31, 2017. Consolidated adjusted earnings available to common shareholders for 2017 was negatively impacted by notable items, primarily related to tax adjustments, of $622 million, net of income tax. Excluding the Separation-related items, which increased free cash flow, from the numerator of the ratio and excluding such notable items negatively impacting consolidated adjusted earnings available to common shareholders from the denominator of the ratio, the adjusted free cash flow ratio for 2017 would be 75%.

iii) In 2016, we incurred $2.3 billion of Separation-related items (comprised of certain Separation-related outflows, net of inflows related to dividends from Brighthouse subsidiaries) which reduced our holding companies' liquid assets, as well as our free cash flow and free cash flow ratio. Excluding these Separation-related items, adjusted free cash flow would be $4.7 billion for the year ended December 31, 2016. Consolidated adjusted earnings available to common shareholders for 2016 was negatively impacted by notable items, primarily related to the actuarial assumption review and other insurance adjustments, of $709 million, net of income tax, and Separation-related costs of $15 million, net of income tax. Excluding the Separation-related items, which reduced free cash flow, from the numerator of the ratio and excluding such notable items and Separation-related costs negatively impacting consolidated adjusted earnings available to common shareholders from the denominator of the ratio, the adjusted free cash flow ratio for 2016 would be 98%.

### Subsequent Events

See Note 22 of the Notes to the Consolidated Financial Statements.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

### Risk Management

We have an integrated process for managing risk, which we conduct through multiple Board and senior management committees (financial and non-financial) across the GRM, ALM, Finance, Treasury, Investments and business segment departments. The risk committee structure is designed to provide a consolidated enterprise-wide assessment and management of risk. The ERC is responsible for reviewing all material risks to the enterprise and deciding on actions, if necessary, in the event risks exceed desired tolerances, taking into consideration industry best practices and the current environment to resolve or mitigate those risks. Additional committees at the MetLife, Inc. and subsidiary insurance company level manage capital and risk positions and establish corporate business standards.

### Global Risk Management

Independent from the lines of business, the centralized GRM, led by the CRO, coordinates across all committees to ensure that all material risks are properly identified, measured, aggregated, managed and reported across the Company. The CRO reports to the Chief Executive Officer ("CEO") and is primarily responsible for maintaining and communicating the Company's enterprise risk policies and for monitoring and analyzing all material risks.

Table of Contents

GRM considers and monitors a full range of risks against the Company's solvency, liquidity, earnings, business operations and reputation. GRM's primary responsibilities consist of:

- implementing a corporate risk framework, which outlines our enterprise approach for managing risk;
- developing policies and procedures for identifying, managing, measuring, monitoring and controlling those risks identified in the corporate risk framework;
- coordinating Own Risk and Solvency Assessments for Board, senior management and regulator use;
- establishing appropriate corporate risk tolerance levels;
- recommending risk appetite statements and investment general authorizations to the Board;
- measuring capital on an economic basis;
- recommending capital allocations on an economic capital basis; and
- reporting to (i) the Finance and Risk Committee of MetLife, Inc.'s Board of Directors; (ii) the Investment Committee of MetLife, Inc.'s Board of Directors; (iii) the Compensation Committee of MetLife, Inc.'s Board of Directors; and (iv) the financial and non-financial senior management committees on various aspects of risk.

Asset/Liability Management

We actively manage our assets using an approach that is liability driven and balances quality, diversification, asset/liability matching, liquidity, concentration and investment return. The goals of the investment process are to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that the assets and liabilities are reasonably aligned on a cash flow and duration basis. The ALM process is the shared responsibility of the ALM, GRM, and Investments departments, with the engagement of senior members of the business segments, and is governed by the ALM Committees. The ALM Committees' duties include reviewing and approving target portfolios investment guidelines and limits, approving significant portfolio and ALM strategies and providing oversight of the ALM process. The directives of the ALM Committees are carried out and monitored through ALM Working Groups which are set up to manage risk by geography, product or portfolio type. The ALM Steering Committee oversees the activities of the underlying ALM Committees and Working Groups. The ALM Steering Committee reports to the ERC.

We establish portfolio guidelines that define ranges and limits related to asset allocation, interest rate risk, liquidity, concentration and other risks for each major business segment, legal entity or insurance product group. These guidelines support implementation of investment strategies used to adequately fund our liabilities within acceptable levels of risk. We also establish hedging programs and associated investment portfolios for different blocks of business. The ALM Working Groups monitor these strategies and programs through regular review of portfolio metrics, such as effective duration, yield curve sensitivity, convexity, value at risk, market sensitivities (to interest rates, equity market levels, equity volatility, and foreign exchange rates), stress scenario payoffs, liquidity, foreign exchange, asset sector concentration and credit quality.

Market Risk Exposures

We regularly analyze our exposure to interest rate, foreign currency exchange rate and equity market price risk. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are materially exposed to changes in interest rates, foreign currency exchange rates and equity markets. We have exposure to market risk through our insurance operations and investment activities. For purposes of this disclosure, "market risk" is defined as the risk of loss resulting from changes in interest rates, foreign currency exchange rates and equity markets.

Interest Rates

Our exposure to interest rate changes results most significantly from our holdings of fixed maturity securities, as well as our interest rate sensitive liabilities. The fixed maturity securities AFS include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, mortgage-backed securities and ABS, all of which are mainly exposed to changes in medium- and long-term interest rates. The interest rate sensitive liabilities for purposes of this disclosure include debt, policyholder account balances related to certain investment type contracts, and embedded derivatives on variable annuities with guaranteed minimum benefits which have the same type of interest rate exposure (medium- and long-term interest rates) as fixed maturity securities AFS. The interest rate sensitive liabilities for purposes of this disclosure exclude a significant portion of the liabilities relating to insurance contracts. See "Risk Factors — Economic Environment and Capital Markets Risks — Difficult Economic Conditions May Adversely

Affect Our Business, Results of Operations and Financial Condition."

172

Table of Contents

Foreign Currency Exchange Rates

Our exposure to fluctuations in foreign currency exchange rates against the U.S. dollar results from our holdings in non-U.S. dollar denominated fixed maturity and equity securities, mortgage loans, and certain liabilities, as well as through our investments in foreign subsidiaries. The foreign currency exchange rate liabilities for purposes of this disclosure exclude a significant portion of the liabilities relating to insurance contracts. The principal currencies that create foreign currency exchange rate risk in our investment portfolios and liabilities are the Euro, the Japanese yen and the British pound. Selectively, we use U.S. dollar assets to support certain long-duration foreign currency liabilities. Through our investments in foreign subsidiaries and joint ventures, we are primarily exposed to the Japanese yen, the Euro, the Australian dollar, the British pound, the Mexican peso, the Chilean peso and the Korean won. In addition to hedging with foreign currency swaps, forwards and options, local surplus in some countries may be held entirely or in part in U.S. dollar assets, which further minimize exposure to foreign currency exchange rate fluctuation risk. We have matched much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. See "Risk Factors — Economic Environment and Capital Markets Risks — Difficult Economic Conditions May Adversely Affect Our Business, Results of Operations and Financial Condition."

Equity Market

Along with investments in equity securities, we have exposure to equity market risk through certain liabilities that involve long-term guarantees on equity performance such as embedded derivatives on variable annuities with guaranteed minimum benefits and certain policyholder account balances. Equity exposures associated with limited partnership interests are excluded from this discussion as they are not considered financial instruments under GAAP.

Management of Market Risk Exposures

We use a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivatives.

Interest Rate Risk Management

To manage interest rate risk, we analyze interest rate risk using various models, including multi-scenario cash flow projection models that forecast cash flows of the liabilities and their supporting investments, including derivatives. These projections involve evaluating the potential gain or loss on most of our in-force business under various increasing and decreasing interest rate environments. The NYDFS regulations require that we perform some of these analyses annually as part of our review of the sufficiency of our regulatory reserves. For several of our legal entities, we maintain segmented operating and surplus asset portfolios for the purpose of ALM and the allocation of investment income to product lines. In the U.S., for each segment, invested assets greater than or equal to the GAAP liabilities net of certain non-invested assets allocated to the segment are maintained, with any excess allocated to Corporate & Other. The business segments may reflect differences in legal entity, statutory line of business and any product market characteristic which may drive a distinct investment strategy with respect to duration, liquidity or credit quality of the invested assets. Certain smaller entities make use of unsegmented general accounts for which the investment strategy reflects the aggregate characteristics of liabilities in those entities. We measure relative sensitivities of the value of our assets and liabilities to changes in key assumptions utilizing internal models. These models reflect specific product characteristics and include assumptions based on current and anticipated experience regarding lapse, mortality and interest crediting rates. In addition, these models include asset cash flow projections reflecting interest payments, sinking fund payments, principal payments, bond calls, mortgage loan prepayments and defaults.

We employ product design, pricing and ALM strategies to reduce the potential effects of interest rate movements. Product design and pricing strategies include the use of surrender charges or restrictions on withdrawals in some products and the ability to reset crediting rates for certain products. ALM strategies include the use of derivatives. We also use reinsurance to mitigate interest rate risk.

We also use common industry metrics, such as duration and convexity, to measure the relative sensitivity of assets and liability values to changes in interest rates. In computing the duration of liabilities, we consider all policyholder guarantees and how we intend to set indeterminate policy elements such as interest credits or dividends. Each asset portfolio or portfolio group has a duration target based on the liability duration and the investment objectives of that portfolio. Where a liability cash flow may exceed the maturity of available assets, we may support such liabilities with equity investments, derivatives or interest rate curve mismatch strategies.

Table of Contents

Foreign Currency Exchange Rate Risk Management

MetLife has a well-established Enterprise Foreign Exchange (“FX”) Risk Policy to manage foreign currency exchange rate exposures within its risk tolerance. In general, investments backing specific liabilities are currency matched. This is achieved through direct investments in matching currency or through the use of FX derivatives. Enterprise FX risk limits are established by the ERC. Management of each of our segments, with oversight from our FX Risk Committee and the respective ALM committee for the segment, is responsible for managing any foreign currency exchange rate exposure.

We use foreign currency swaps, forwards and options to mitigate the liability exposure, risk of loss and financial statement volatility associated with our investments in foreign subsidiaries, foreign currency denominated fixed income investments and the sale of certain insurance products.

Equity Market Risk Management

We manage equity market risk on an integrated basis with other risks through our ALM strategies, including the dynamic hedging of certain variable annuity guarantee benefits, as well as reinsurance, in order to limit losses, minimize exposure to large risks, and provide additional capacity for future growth. We also manage equity market risk exposure in our investment portfolio through the use of derivatives. These derivatives include exchange-traded equity futures, equity index options contracts, total rate of return swaps and equity variance swaps. This risk is managed by our ALM Unit in partnership with the Investments Department.

Hedging Activities

We use derivative contracts primarily to hedge a wide range of risks including interest rate risk, foreign currency exchange rate risk, and equity market risk. Derivative hedges are designed to reduce risk on an economic basis while considering their impact on financial results under different accounting regimes, including U.S. GAAP and local statutory accounting. Our derivative hedge programs vary depending on the type of risk being hedged. Some hedge programs are asset or liability specific while others are portfolio hedges that reduce risk related to a group of liabilities or assets. Our use of derivatives by major hedge programs is as follows:

- Risks Related to Guarantee Benefits — We use a wide range of derivative contracts to mitigate the risk associated with living guarantee benefits. These derivatives include equity and interest rate futures, interest rate swaps, currency futures/forwards, equity indexed options, total rate of return swaps, interest rate option contracts and equity variance swaps.
- Minimum Interest Rate Guarantees — For certain liability contracts, we provide the contractholder a guaranteed minimum interest rate. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate caps and floors to reduce risk associated with these liability guarantees.
- Reinvestment Risk in Long-Duration Liability Contracts — Derivatives are used to hedge interest rate risk related to certain long-duration liability contracts. Hedges include interest rate swaps and swaptions.
- Foreign Currency Exchange Rate Risk — We use currency swaps, forwards and options to hedge foreign currency exchange rate risk. These hedges are generally used to swap foreign currency denominated bonds, investments in foreign subsidiaries or equity market exposures to U.S. dollars. Our foreign subsidiaries also use these hedges to swap non-local currency assets to local currency, to match liabilities.
- General ALM Hedging Strategies — In the ordinary course of managing our asset/liability risks, we use interest rate futures, interest rate swaps, interest rate caps, and inflation swaps. These hedges are designed to reduce interest rate risk or inflation risk related to the existing assets or liabilities or related to expected future cash flows.

Table of Contents

Risk Measurement: Sensitivity Analysis

We measure market risk related to our market sensitive assets and liabilities based on changes in interest rates, foreign currency exchange rates and equity market prices utilizing a sensitivity analysis. For purposes of this disclosure, a significant portion of the liabilities relating to insurance contracts is excluded, as discussed further below. This analysis estimates the potential changes in estimated fair value based on a hypothetical 10% change (increase or decrease) in interest rates, foreign currency exchange rates and equity market prices. We believe that a 10% change (increase or decrease) in these market rates and prices is reasonably possible in the near term. In performing the analysis summarized below, we used market rates at December 31, 2018. The sensitivity analysis separately calculates each of our market risk exposures (interest rate, foreign currency exchange rate and equity market) relating to our assets and liabilities. We modeled the impact of changes in market rates and prices on the estimated fair values of our market sensitive assets and liabilities as follows:

- the net present values of our interest rate sensitive exposures resulting from a 10% change (increase or decrease) in interest rates;
- the U.S. dollar equivalent estimated fair values of our foreign currency exposures due to a 10% change (increase in the value of the U.S. dollar compared to all foreign currencies or decrease in the value of the U.S. dollar compared to all foreign currencies) in foreign currency exchange rates; and
- the estimated fair value of our equity positions due to a 10% change (increase or decrease) in equity market prices.

The sensitivity analysis is an estimate and should not be viewed as predictive of our future financial performance. We cannot ensure that our actual losses in any particular period will not exceed the amounts indicated in the table below. Limitations related to this sensitivity analysis include:

- interest sensitive and foreign currency exchange sensitive liabilities do not include $203.3 billion, at carrying value, of insurance contracts. Management believes that the changes in the economic value of those contracts under changing interest rates and changing foreign currency exchange rates would offset a significant portion of the fair value changes of interest sensitive and foreign currency exchange rate sensitive assets;
- the market risk information is limited by the assumptions and parameters established in creating the related sensitivity analysis, including the impact of prepayment rates on mortgage loans;
- sensitivities do not include the impact on asset or liability valuation of changes in market liquidity or changes in market credit spreads;
- foreign currency risk is not isolated for certain embedded derivatives within host asset and liability contracts, as the risk on these instruments is reflected as equity;
- for the derivatives that qualify as hedges, and for certain other assets such as mortgage loans, the impact on reported earnings may be materially different from the change in market values;
- the analysis excludes liabilities pursuant to insurance contracts and real estate holdings; and
- the model assumes that the composition of assets and liabilities remains unchanged throughout the period.

Accordingly, we use such models as tools and not as substitutes for the experience and judgment of our management. Based on our analysis of the impact of a 10% change (increase or decrease) in market rates and prices, we have determined that such a change could have a material adverse effect on the estimated fair value of certain assets and liabilities from interest rate, foreign currency exchange rate and equity market exposures.

The table below illustrates the potential loss in estimated fair value for each market risk exposure of our market sensitive assets and liabilities at:

| | December 31, 2018 |
|---|---|
| | (In millions) |
| Interest rate risk | $ 5,656 |
| Foreign currency exchange rate risk | $ 7,807 |
| Equity market risk | $ (1 ) |

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175

Table of Contents

The risk sensitivities derived used a 10% increase to interest rates, a 10% strengthening of the U.S. dollar against foreign currencies, and a 10% increase in equity prices. The potential losses in estimated fair value presented are for non-trading securities.
The table below provides additional detail regarding the potential loss in estimated fair value of our interest sensitive financial instruments due to a 10% increase in interest rates by type of asset or liability at:

| | December 31, 2018 | | |
|---|---|---|---|
| | Notional Amount | Estimated Fair Value (1) | Assuming a 10% Increase in Interest Rates |
| | (In millions) | | |
| Assets | | | |
| Fixed maturity securities AFS | | $298,265 | $ (5,180) |
| Equity securities | | $1,440 | — |
| FVO Securities | | $871 | (8) |
| Mortgage loans | | $76,379 | (816) |
| Policy loans | | $11,366 | (131) |
| Short-term investments | | $3,937 | (5) |
| Other invested assets | | $1,413 | — |
| Cash and cash equivalents | | $15,821 | — |
| Accrued investment income | | $3,582 | — |
| Premiums, reinsurance and other receivables | | $3,797 | (23) |
| Other assets | | $350 | (4) |
| Embedded derivatives within asset host contracts (2) | | $71 | — |
| Total assets | | | $ (6,167) |
| Liabilities (3) | | | |
| Policyholder account balances | | $110,313 | $ 757 |
| Payables for collateral under securities loaned and other transactions | | $24,794 | — |
| Short-term debt | | $268 | — |
| Long-term debt | | $13,611 | 342 |
| Collateral financing arrangement | | $853 | — |
| Junior subordinated debt securities | | $3,738 | 104 |
| Other liabilities | | $3,518 | 68 |
| Embedded derivatives within liability host contracts (2) | | $810 | 161 |
| Total liabilities | | | $ 1,432 |
| Derivative Instruments | | | |
| Interest rate swaps | $60,852 | $3,958 | $ (565) |
| Interest rate floors | $12,701 | $102 | (26) |
| Interest rate caps | $54,575 | $153 | 62 |
| Interest rate futures | $2,353 | $(2) | 8 |
| Interest rate options | $26,690 | $416 | (91) |
| Interest rate forwards | $3,256 | $(230) | (121) |
| Interest rate total return swaps | $1,048 | $31 | (54) |
| Synthetic GICs | $25,700 | $— | — |
| Foreign currency swaps | $48,552 | $445 | (139) |
| Foreign currency forwards | $16,517 | $(28) | 22 |
| Currency futures | $847 | $4 | — |
| Currency options | $7,177 | $(192) | (1) |
| Credit default swaps | $13,294 | $68 | — |

| | | | |
|---|---|---|---|
| Equity futures | $2,992 | $(64 ) | (1 ) |
| Equity index options | $27,707 | $334 | (15 ) |
| Equity variance swaps | $2,269 | $(47 ) | — |
| Equity total return swaps | $929 | $91 | — |
| Total derivative instruments | | | $ (921 ) |
| Net Change | | | $ (5,656 ) |

(1) Separate account assets and liabilities and Unit-linked investments and associated policyholder account balances, which are interest rate sensitive, are not included herein as any interest rate risk is borne by the contractholder, notwithstanding any general account guarantees which are included within embedded derivatives (see footnote (2) below) or included within future policy benefits and other policy-related balances (see footnote (3) below). FVO Securities and long-term debt exclude $4 million and $5 million, respectively, related to CSEs.

176

Table of Contents

(2) Embedded derivatives are recognized on the consolidated balance sheet in the same caption as the host contract.
(3) Excludes $203.3 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in interest rates.

Sensitivity to rising interest rates decreased $206 million, or 4%, to $5.7 billion at December 31, 2018 from $5.9 billion at December 31, 2017.

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% increase in the U.S. dollar compared to all foreign currencies at:

| | December 31, 2018 | | |
|---|---|---|---|
| | Notional Amount | Estimated Fair Value (1) | Assuming a 10% Increase in the Foreign Exchange Rate |
| | (In millions) | | |
| Assets | | | |
| Fixed maturity securities AFS | | $298,265 | $ (9,560) |
| Equity securities | | $1,440 | (47) |
| FVO Securities | | $871 | (88) |
| Mortgage loans | | $76,379 | (856) |
| Policy loans | | $11,366 | (161) |
| Short-term investments | | $3,937 | (329) |
| Other invested assets | | $1,413 | (264) |
| Cash and cash equivalents | | $15,821 | (472) |
| Accrued investment income | | $3,582 | (94) |
| Premiums, reinsurance and other receivables | | $3,797 | (101) |
| Other assets | | $350 | (18) |
| Embedded derivatives within asset host contracts (2) | | $71 | (7) |
| Total assets | | | $ (11,997) |
| Liabilities (3) | | | |
| Policyholder account balances | | $110,313 | $ 3,453 |
| Payables for collateral under securities loaned and other transactions | | $24,794 | 136 |
| Long-term debt | | $13,611 | 106 |
| Other liabilities | | $3,518 | 20 |
| Embedded derivatives within liability host contracts (2) | | $810 | 61 |
| Total liabilities | | | $ 3,776 |
| Derivative Instruments | | | |
| Interest rate swaps | $60,852 | $3,958 | $ (71) |
| Interest rate floors | $12,701 | $102 | — |
| Interest rate caps | $54,575 | $153 | — |
| Interest rate futures | $2,353 | $(2) | — |
| Interest rate options | $26,690 | $416 | (21) |
| Interest rate forwards | $3,256 | $(230) | 1 |
| Interest rate total return swaps | $1,048 | $31 | — |
| Synthetic GICs | $25,700 | $— | — |
| Foreign currency swaps | $48,552 | $445 | 1,037 |
| Foreign currency forwards | $16,517 | $(28) | (769) |
| Currency futures | $847 | $4 | (87) |
| Currency options | $7,177 | $(192) | 319 |

| | | | |
|---|---|---|---|
| Credit default swaps | $13,294 | $68 | (4) |
| Equity futures | $2,992 | $(64) | — |
| Equity index options | $27,707 | $334 | 9 |
| Equity variance swaps | $2,269 | $(47) | — |
| Equity total return swaps | $929 | $91 | — |
| Total derivative instruments | | | $ 414 |
| Net Change | | | $ (7,807) |

177

Table of Contents

(1) Does not necessarily represent those financial instruments solely subject to foreign currency exchange rate risk. Separate account assets and liabilities and Unit-linked investments and associated policyholder account balances, which are foreign currency exchange rate sensitive, are not included herein as any foreign currency exchange rate risk is borne by the contractholder, notwithstanding any general account guarantees which are included within embedded derivatives (see footnote (2) below) or included within future policy benefits and other policy-related balances (see footnote (3) below). FVO Securities and long-term debt exclude $4 million and $5 million, respectively, related to CSEs.

(2) Embedded derivatives are recognized on the consolidated balance sheet in the same caption as the host contract.

(3) Excludes $203.3 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% appreciation in the U.S. dollar relative to all other currencies.

Sensitivity to foreign currency exchange rates decreased $60 million to $7.8 billion at December 31, 2018 from $7.9 billion at December 31, 2017. These sensitivities exclude those liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% appreciation in the U.S. dollar relative to all other currencies.

Table of Contents

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% increase in equity prices by type of asset or liability at:

| | December 31, 2018 | | |
|---|---|---|---|
| | Notional Amount | Estimated Fair Value (1) | Assuming a 10% Increase in Equity Prices |
| | (In millions) | | |
| Assets | | | |
| Equity securities | | $1,440 | $ 144 |
| FVO Securities | | $871 | 33 |
| Embedded derivatives within asset host contracts (2) | | $71 | — |
| Total assets | | | $ 177 |
| Liabilities (3) | | | |
| Policyholder account balances | | $110,313 | $ — |
| Embedded derivatives within liability host contracts (2) | | $810 | 329 |
| Total liabilities | | | $ 329 |
| Derivative Instruments | | | |
| Interest rate swaps | $60,852 | $3,958 | $ — |
| Interest rate floors | $12,701 | $102 | — |
| Interest rate caps | $54,575 | $153 | — |
| Interest rate futures | $2,353 | $(2) | — |
| Interest rate options | $26,690 | $416 | — |
| Interest rate forwards | $3,256 | $(230) | — |
| Interest rate total return swaps | $1,048 | $31 | — |
| Synthetic GICs | $25,700 | $— | — |
| Foreign currency swaps | $48,552 | $445 | — |
| Foreign currency forwards | $16,517 | $(28) | — |
| Currency futures | $847 | $4 | — |
| Currency options | $7,177 | $(192) | — |
| Credit default swaps | $13,294 | $68 | — |
| Equity futures | $2,992 | $(64) | (227) |
| Equity index options | $27,707 | $334 | (198) |
| Equity variance swaps | $2,269 | $(47) | 1 |
| Equity total return swaps | $929 | $91 | (81) |
| Total derivative instruments | | | $ (505) |
| Net Change | | | $ 1 |

(1) Does not necessarily represent those financial instruments solely subject to equity price risk. Additionally, separate account assets and liabilities and Unit-linked investments and associated policyholder account balances, which are equity market sensitive, are not included herein as any equity market risk is borne by the contractholder, notwithstanding any general account guarantees which are included within embedded derivatives (see footnote (2) below) or included within future policy benefits and other policy-related balances (see footnote (3) below).

(2) Embedded derivatives are recognized on the consolidated balance sheet in the same caption as the host contract.

(3) Excludes $203.3 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances.

As of December 31, 2018, sensitivity to a 10% equity market increase was $1 million. This compares to a $71 million sensitivity to a 10% equity market decrease at December 31, 2017.

Table of Contents

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements, Notes and Schedules


| | Page |
|---|---|
| Report of Independent Registered Public Accounting Firm | 181 |
| Financial Statements at December 31, 2018 and 2017 and for the Years Ended December 31, 2018, 2017 and 2016: | |
| Consolidated Balance Sheets | 182 |
| Consolidated Statements of Operations | 183 |
| Consolidated Statements of Comprehensive Income (Loss) | 184 |
| Consolidated Statements of Equity | 185 |
| Consolidated Statements of Cash Flows | 186 |
| Notes to the Consolidated Financial Statements | |
| Note 1 — Business, Basis of Presentation and Summary of Significant Accounting Policies | 188 |
| Note 2 — Segment Information | 207 |
| Note 3 — Dispositions | 213 |
| Note 4 — Insurance | 222 |
| Note 5 — Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles | 240 |
| Note 6 — Reinsurance | 243 |
| Note 7 — Closed Block | 247 |
| Note 8 — Investments | 249 |
| Note 9 — Derivatives | 270 |
| Note 10 — Fair Value | 284 |
| Note 11 — Goodwill | 301 |
| Note 12 — Long-term and Short-term Debt | 303 |
| Note 13 — Collateral Financing Arrangement | 306 |
| Note 14 — Junior Subordinated Debt Securities | 307 |
| Note 15 — Equity | 308 |
| Note 16 — Other Revenues and Other Expenses | 325 |
| Note 17 — Employee Benefit Plans | 326 |
| Note 18 — Income Tax | 336 |
| Note 19 — Earnings Per Common Share | 343 |
| Note 20 — Contingencies, Commitments and Guarantees | 344 |
| Note 21 — Quarterly Results of Operations (Unaudited) | 352 |
| Note 22 — Subsequent Events | 353 |
| Financial Statement Schedules at December 31, 2018 and 2017 and for the Years Ended December 31, 2018, 2017 and 2016: | |
| Schedule I — Consolidated Summary of Investments — Other Than Investments in Related Parties | 354 |
| Schedule II — Condensed Financial Information (Parent Company Only) | 355 |
| Schedule III — Consolidated Supplementary Insurance Information | 363 |
| Schedule IV — Consolidated Reinsurance | 365 |

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of MetLife, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of MetLife, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and the schedules listed in the Index to Consolidated Financial Statements, Notes and Schedules (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP
New York, New York
February 21, 2019

We have served as the Company's auditor since at least 1968; however, an earlier year could not be reliably determined.

Table of Contents

MetLife, Inc.
Consolidated Balance Sheets
December 31, 2018 and 2017
(In millions, except share and per share data)

| | 2018 | 2017 |
|---|---|---|
| Assets | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $286,816 and $286,069, respectively) | $298,265 | $308,931 |
| Equity securities, at estimated fair value | 1,440 | 2,513 |
| Contractholder-directed equity securities and fair value option securities, at estimated fair value (includes $4 and $6, respectively, relating to variable interest entities) | 12,616 | 16,745 |
| Mortgage loans (net of valuation allowances of $342 and $314, respectively; includes $299 and $520, respectively, under the fair value option) | 75,752 | 68,731 |
| Policy loans | 9,699 | 9,669 |
| Real estate and real estate joint ventures (includes $0 and $25, respectively, of real estate held-for-sale) | 9,698 | 9,637 |
| Other limited partnership interests | 6,613 | 5,708 |
| Short-term investments, principally at estimated fair value | 3,937 | 4,870 |
| Other invested assets (includes $141 and $125, respectively, relating to variable interest entities) | 18,190 | 17,263 |
| Total investments | 436,210 | 444,067 |
| Cash and cash equivalents, principally at estimated fair value (includes $52 and $12, respectively, relating to variable interest entities) | 15,821 | 12,701 |
| Accrued investment income | 3,582 | 3,524 |
| Premiums, reinsurance and other receivables (includes $3 and $3, respectively, relating to variable interest entities) | 19,644 | 18,423 |
| Deferred policy acquisition costs and value of business acquired | 18,895 | 18,419 |
| Goodwill | 9,422 | 9,590 |
| Other assets (includes $2 and $2, respectively, relating to variable interest entities) | 8,408 | 8,167 |
| Separate account assets | 175,556 | 205,001 |
| Total assets | $687,538 | $719,892 |
| Liabilities and Equity | | |
| Liabilities | | |
| Future policy benefits | $186,780 | $177,974 |
| Policyholder account balances | 183,693 | 182,518 |
| Other policy-related balances | 16,529 | 15,515 |
| Policyholder dividends payable | 677 | 682 |
| Policyholder dividend obligation | 428 | 2,121 |
| Payables for collateral under securities loaned and other transactions | 24,794 | 25,723 |
| Short-term debt | 268 | 477 |
| Long-term debt (includes $5 and $6, respectively, at estimated fair value, relating to variable interest entities) | 12,829 | 15,686 |
| Collateral financing arrangement | 1,060 | 1,121 |
| Junior subordinated debt securities | 3,147 | 3,144 |
| Current income tax payable | 441 | 311 |
| Deferred income tax liability | 5,414 | 6,767 |
| Other liabilities (includes $1 and $3, respectively, relating to variable interest entities) | 22,964 | 23,982 |
| Separate account liabilities | 175,556 | 205,001 |

| | | |
|---|---|---|
| Total liabilities | 634,580 | 661,022 |
| Contingencies, Commitments and Guarantees (Note 20) | | |
| Equity | | |
| MetLife, Inc.'s stockholders' equity: | | |
| Preferred stock, par value $0.01 per share; $3,405 and $2,100 aggregate liquidation preference, respectively | — | — |
| Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,171,824,242 and 1,168,710,101 shares issued, respectively; 958,613,542 and 1,043,588,396 shares outstanding, respectively | 12 | 12 |
| Additional paid-in capital | 32,474 | 31,111 |
| Retained earnings | 28,926 | 26,527 |
| Treasury stock, at cost; 213,210,700 and 125,121,705 shares, respectively | (10,393 ) | (6,401 ) |
| Accumulated other comprehensive income (loss) | 1,722 | 7,427 |
| Total MetLife, Inc.'s stockholders' equity | 52,741 | 58,676 |
| Noncontrolling interests | 217 | 194 |
| Total equity | 52,958 | 58,870 |
| Total liabilities and equity | $687,538 | $719,892 |

See accompanying notes to the consolidated financial statements.

182

Table of Contents

MetLife, Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2018, 2017 and 2016
(In millions, except per share data)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Revenues | | | |
| Premiums | $43,840 | $38,992 | $37,202 |
| Universal life and investment-type product policy fees | 5,502 | 5,510 | 5,483 |
| Net investment income | 16,166 | 17,363 | 16,790 |
| Other revenues | 1,880 | 1,341 | 1,685 |
| Net investment gains (losses): | | | |
| Other-than-temporary impairments on fixed maturity securities available-for-sale | (40) | (11) | (96) |
| Other-than-temporary impairments on fixed maturity securities available-for-sale transferred to other comprehensive income (loss) | — | 1 | (11) |
| Other net investment gains (losses) | (258) | (298) | 424 |
| Total net investment gains (losses) | (298) | (308) | 317 |
| Net derivative gains (losses) | 851 | (590) | (690) |
| Total revenues | 67,941 | 62,308 | 60,787 |
| Expenses | | | |
| Policyholder benefits and claims | 42,656 | 38,313 | 36,358 |
| Interest credited to policyholder account balances | 4,013 | 5,607 | 5,176 |
| Policyholder dividends | 1,251 | 1,231 | 1,223 |
| Other expenses | 13,714 | 13,621 | 13,749 |
| Total expenses | 61,634 | 58,772 | 56,506 |
| Income (loss) from continuing operations before provision for income tax | 6,307 | 3,536 | 4,281 |
| Provision for income tax expense (benefit) | 1,179 | (1,470) | 693 |
| Income (loss) from continuing operations, net of income tax | 5,128 | 5,006 | 3,588 |
| Income (loss) from discontinued operations, net of income tax | — | (986) | (2,734) |
| Net income (loss) | 5,128 | 4,020 | 854 |
| Less: Net income (loss) attributable to noncontrolling interests | 5 | 10 | 4 |
| Net income (loss) attributable to MetLife, Inc. | 5,123 | 4,010 | 850 |
| Less: Preferred stock dividends | 141 | 103 | 103 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $4,982 | $3,907 | $747 |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share: | | | |
| Basic | $4.95 | $4.57 | $3.16 |
| Diluted | $4.91 | $4.53 | $3.13 |
| Net income (loss) available to MetLife, Inc.'s common shareholders per common share: | | | |
| Basic | $4.95 | $3.65 | $0.68 |
| Diluted | $4.91 | $3.62 | $0.67 |

See accompanying notes to the consolidated financial statements.

Table of Contents
MetLife, Inc.
Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2018, 2017 and 2016
(In millions)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Net income (loss) | $5,128 | $4,020 | $854 |
| Other comprehensive income (loss): | | | |
| Unrealized investment gains (losses), net of related offsets | (8,719) | 4,623 | 796 |
| Unrealized gains (losses) on derivatives | 674 | (1,165) | 573 |
| Foreign currency translation adjustments | (587) | 767 | (363) |
| Defined benefit plans adjustment | 263 | 144 | 131 |
| Other comprehensive income (loss), before income tax | (8,369) | 4,369 | 1,137 |
| Income tax (expense) benefit related to items of other comprehensive income (loss) | 1,754 | (984) | (450) |
| Other comprehensive income (loss), net of income tax | (6,615) | 3,385 | 687 |
| Comprehensive income (loss) | (1,487) | 7,405 | 1,541 |
| Less: Comprehensive income (loss) attributable to noncontrolling interest, net of income tax | 7 | 14 | 92 |
| Comprehensive income (loss) attributable to MetLife, Inc. | $(1,494) | $7,391 | $1,449 |

See accompanying notes to the consolidated financial statements.

Table of Contents

MetLife, Inc.
Consolidated Statements of Equity
For the Years Ended December 31, 2018, 2017 and 2016
(In millions)

| | Preferred Stock | Common Stock | Additional Paid-in Capital | Retained Earnings | Treasury Stock at Cost | Accumulated Other Comprehensive Income (Loss) | Total MetLife, Inc.'s Stockholders' Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2015 | $ — | $ 12 | $ 30,749 | $ 35,672 | $ (3,102 ) | $ 4,767 | $ 68,098 | $ 470 | $ 68,568 |
| Treasury stock acquired in connection with share repurchases | | | | | (372 ) | | (372 ) | | (372 ) |
| Stock-based compensation | | | 195 | | | | 195 | | 195 |
| Dividends on preferred stock | | | | (103 ) | | | (103 ) | | (103 ) |
| Dividends on common stock | | | | (1,736 ) | | | (1,736 ) | | (1,736 ) |
| Change in equity of noncontrolling interests | | | | | | | — | (391 ) | (391 ) |
| Net income (loss) | | | | 850 | | | 850 | 4 | 854 |
| Other comprehensive income (loss), net of income tax | | | | | | 599 | 599 | 88 | 687 |
| Balance at December 31, 2016 | — | 12 | 30,944 | 34,683 | (3,474 ) | 5,366 | 67,531 | 171 | 67,702 |
| Treasury stock acquired in connection with share repurchases | | | | | (2,927 ) | | (2,927 ) | | (2,927 ) |
| Stock-based compensation | | | 167 | | | | 167 | | 167 |
| Dividends on preferred stock | | | | (103 ) | | | (103 ) | | (103 ) |
| Dividends on common stock | | | | (1,717 ) | | | (1,717 ) | | (1,717 ) |
| Distribution of Brighthouse, net of income tax (Note 3) | | | | (10,346 ) | | (1,320 ) | (11,666 ) | | (11,666 ) |
| Change in equity of noncontrolling interests | | | | | | | — | 9 | 9 |
| Net income (loss) | | | | 4,010 | | | 4,010 | 10 | 4,020 |
| Other comprehensive income (loss), net of income tax | | | | | | 3,381 | 3,381 | 4 | 3,385 |
| Balance at December 31, 2017 | — | 12 | 31,111 | 26,527 | (6,401 ) | 7,427 | 58,676 | 194 | 58,870 |
| Cumulative effects of changes in accounting principles, net of income | | | | (905 ) | | 912 | 7 | | 7 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| tax (Note 1) | | | | | | | | | |
| Balance at January 1, 2018 | — | 12 | 31,111 | 25,622 | (6,401) | 8,339 | 58,683 | 194 | 58,877 |
| Preferred stock issuance | | | 1,274 | | | | 1,274 | | 1,274 |
| Treasury stock acquired in connection with share repurchases | | | | | (3,992) | | (3,992) | | (3,992) |
| Stock-based compensation | | | 89 | | | | 89 | | 89 |
| Dividends on preferred stock | | | | (141) | | | (141) | | (141) |
| Dividends on common stock | | | | (1,678) | | | (1,678) | | (1,678) |
| Change in equity of noncontrolling interests | | | | | | | — | 16 | 16 |
| Net income (loss) | | | | 5,123 | | | 5,123 | 5 | 5,128 |
| Other comprehensive income (loss), net of income tax | | | | | | (6,617) | (6,617) | 2 | (6,615) |
| Balance at December 31, 2018 | $ — | $ 12 | $ 32,474 | $ 28,926 | $ (10,393) | $ 1,722 | $ 52,741 | $ 217 | $ 52,958 |

See accompanying notes to the consolidated financial statements.

185

Table of Contents

MetLife, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018, 2017 and 2016
(In millions)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income (loss) | $5,128 | $4,020 | $854 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization expenses | 628 | 795 | 652 |
| Amortization of premiums and accretion of discounts associated with investments, net | (1,013) | (1,044) | (1,110) |
| (Gains) losses on investments and from sales of businesses, net | 298 | 363 | (183) |
| (Gains) losses on derivatives, net | (207) | 3,610 | 8,779 |
| (Income) loss from equity method investments, net of dividends or distributions | 251 | 194 | 475 |
| Interest credited to policyholder account balances | 4,013 | 6,260 | 6,282 |
| Universal life and investment-type product policy fees | (5,502) | (7,708) | (9,207) |
| Goodwill impairment | — | — | 260 |
| Change in contractholder-directed equity securities and fair value option securities | 2,212 | (436) | 111 |
| Change in accrued investment income | (121) | (280) | (31) |
| Change in premiums, reinsurance and other receivables | (1,809) | (991) | (2,158) |
| Change in deferred policy acquisition costs and value of business acquired, net | (249) | (693) | (937) |
| Change in income tax | 940 | (2,796) | (1,522) |
| Change in other assets | 260 | 691 | 3,248 |
| Change in insurance-related liabilities and policy-related balances | 7,454 | 8,511 | 6,321 |
| Change in other liabilities | (483) | 1,603 | 2,801 |
| Other, net | (62) | 184 | 139 |
| Net cash provided by (used in) operating activities | 11,738 | 12,283 | 14,774 |
| Cash flows from investing activities | | | |
| Sales, maturities and repayments of: | | | |
| Fixed maturity securities available-for-sale | 106,677 | 95,945 | 150,658 |
| Equity securities | 342 | 1,433 | 1,241 |
| Mortgage loans | 9,918 | 10,353 | 12,977 |
| Real estate and real estate joint ventures | 1,227 | 972 | 826 |
| Other limited partnership interests | 675 | 1,082 | 1,542 |
| Purchases and originations of: | | | |
| Fixed maturity securities available-for-sale | (105,401) | (105,683) | (146,397) |
| Equity securities | (235) | (920) | (1,006) |
| Mortgage loans | (17,059) | (14,374) | (21,017) |
| Real estate and real estate joint ventures | (1,118) | (1,446) | (1,515) |
| Other limited partnership interests | (1,406) | (1,486) | (1,313) |
| Cash received in connection with freestanding derivatives | 3,778 | 5,315 | 4,259 |
| Cash paid in connection with freestanding derivatives | (4,173) | (8,696) | (6,963) |
| Cash disposed due to distribution of Brighthouse | — | (663) | — |
| Sales of businesses, net of cash and cash equivalents disposed of $0, $0 and $135, respectively | — | — | 156 |
| Purchases of businesses | — | (211) | — |
| Net change in policy loans | (37) | (67) | 195 |
| Net change in short-term investments | 870 | 2,087 | 1,270 |
| Net change in other invested assets | 340 | (171) | (306) |

| | | | |
|---|---|---|---|
| Other, net | (32 ) | (346 ) | (457 ) |
| Net cash provided by (used in) investing activities | $(5,634) | $(16,876) | $(5,850) |

See accompanying notes to the consolidated financial statements.

Table of Contents

MetLife, Inc.
Consolidated Statements of Cash Flows — (continued)
For the Years Ended December 31, 2018, 2017 and 2016
(In millions)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Cash flows from financing activities | | | |
| Policyholder account balances: | | | |
| Deposits | $92,327 | $88,511 | $88,188 |
| Withdrawals | (88,061 ) | (82,380 ) | (83,263 ) |
| Payables for collateral under securities loaned and other transactions: | | | |
| Net change in payables for collateral under securities loaned and other transactions | (821 ) | 903 | (3,636 ) |
| Cash received for other transactions with tenors greater than three months | 200 | — | — |
| Long-term debt issued | 24 | 3,657 | — |
| Long-term debt repaid | (1,871 ) | (1,073 ) | (1,279 ) |
| Collateral financing arrangements repaid | (61 ) | (2,951 ) | (68 ) |
| Distribution of Brighthouse | — | (2,793 ) | — |
| Financing element on certain derivative instruments and other derivative related transactions, net | 144 | (151 ) | (1,367 ) |
| Treasury stock acquired in connection with share repurchases | (3,992 ) | (2,927 ) | (372 ) |
| Preferred stock issued, net of issuance costs | 1,274 | — | — |
| Dividends on preferred stock | (141 ) | (103 ) | (103 ) |
| Dividends on common stock | (1,678 ) | (1,717 ) | (1,736 ) |
| Other, net | (145 ) | 118 | 139 |
| Net cash provided by (used in) financing activities | (2,801 ) | (906 ) | (3,497 ) |
| Effect of change in foreign currency exchange rates on cash and cash equivalents balances | (183 ) | 323 | (302 ) |
| Change in cash and cash equivalents | 3,120 | (5,176 ) | 5,125 |
| Cash and cash equivalents, beginning of year | 12,701 | 17,877 | 12,752 |
| Cash and cash equivalents, end of year | $15,821 | $12,701 | $17,877 |
| Cash and cash equivalents, of disposed subsidiary, beginning of year | $— | $5,226 | $1,570 |
| Cash and cash equivalents, of disposed subsidiary, end of year | $— | $— | $5,226 |
| Cash and cash equivalents, from continuing operations, beginning of year | $12,701 | $12,651 | $11,182 |
| Cash and cash equivalents, from continuing operations, end of year | $15,821 | $12,701 | $12,651 |
| Supplemental disclosures of cash flow information: | | | |
| Net cash paid (received) for: | | | |
| Interest | $1,130 | $1,118 | $1,202 |
| Income tax | $1,935 | $1,530 | $672 |
| Non-cash transactions | | | |
| Fixed maturity securities available-for-sale received in connection with pension risk transfer transactions | $3,016 | $— | $985 |
| Brighthouse common stock exchange transaction (Note 3): | | | |
| Reduction of long-term debt | $944 | $— | $— |
| Reduction of fair value option securities | $1,030 | $— | $— |
| Disposal of Brighthouse (See Note 3): | | | |
| Assets disposed | $— | $225,502 | $— |
| Liabilities disposed | — | (210,999 ) | — |
| Net assets disposed | — | 14,503 | — |
| Cash disposed | — | (3,456 ) | — |
| Net non-cash disposed | $— | $11,047 | $— |

| | | | |
|---|---|---|---|
| Reduction of fixed maturity securities available-for-sale in connection with a reinsurance transaction | $— | $— | $224 |
| Reduction of other invested assets in connection with a reinsurance transaction | $— | $— | $676 |
| Deconsolidation of operating joint venture: | | | |
| Reduction of fixed maturity securities available-for-sale | $— | $— | $917 |
| Reduction of noncontrolling interests | $— | $— | $373 |

See accompanying notes to the consolidated financial statements.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements

1. Business, Basis of Presentation and Summary of Significant Accounting Policies
Business
"MetLife" and the "Company" refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. MetLife is one of the world's leading financial services companies, providing insurance, annuities, employee benefits and asset management. MetLife is organized into five segments: U.S.; Asia; Latin America; Europe, the Middle East and Africa ("EMEA"); and MetLife Holdings.
Basis of Presentation
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's business and operations. Actual results could differ from these estimates.
Consolidation
The accompanying consolidated financial statements include the accounts of MetLife, Inc. and its subsidiaries, as well as partnerships and joint ventures in which the Company has control, and variable interest entities ("VIEs") for which the Company is the primary beneficiary. Intercompany accounts and transactions have been eliminated.
Effective January 1, 2016, the Company converted its Japan operations from a fiscal year cutoff of November 30th to calendar year-end reporting. The elimination of a one-month reporting lag of a subsidiary is considered a change in accounting principle and requires retrospective application. While the Company believes that eliminating the lag in the reporting of its Japan operations was preferable in order to consistently reflect events, economic conditions and global trends on the financial statements, the Company determined that it was impracticable to apply the effects of the lag elimination to financial reporting periods prior to January 1, 2015. The effect of not retroactively applying this change in accounting, however, was not material to the 2016 consolidated financial statements. Therefore, the Company reported the cumulative effect of the change in accounting principle in net income for the year ended December 31, 2016.
Discontinued Operations
The results of operations of a component of the Company that has either been disposed of or is classified as held-for-sale are reported in discontinued operations if certain criteria are met. A disposal of a component is reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results.
On August 4, 2017, MetLife, Inc. completed the separation of Brighthouse Financial, Inc. and its subsidiaries ("Brighthouse") through a distribution of 96,776,670 shares of Brighthouse Financial, Inc. common stock to the MetLife, Inc. common shareholders (the "Separation"). The results of Brighthouse are reflected in MetLife, Inc.'s consolidated financial statements as discontinued operations and, therefore, are presented as income (loss) from discontinued operations on the consolidated statements of operations. Intercompany transactions between the Company and Brighthouse prior to the Separation have been eliminated. Transactions between the Company and Brighthouse after the Separation are reflected in continuing operations for the Company. See Note 3 for information on discontinued operations and transactions with Brighthouse.
Separate Accounts
Separate accounts are established in conformity with insurance laws. Generally, the assets of the separate accounts cannot be used to settle the liabilities that arise from any other business of the Company. Separate account assets are subject to general account claims only to the extent the value of such assets exceeds the separate account liabilities. The Company reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts if:
- such separate accounts are legally recognized;

- assets supporting the contract liabilities are legally insulated from the Company’s general account liabilities;
- investments are directed by the contractholder; and
- all investment performance, net of contract fees and assessments, is passed through to the contractholder.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

The Company reports separate account assets at their fair value which is based on the estimated fair values of the underlying assets comprising the individual separate account portfolios. Investment performance (including investment income, net investment gains (losses) and changes in unrealized gains (losses)) and the corresponding amounts credited to contractholders of such separate accounts are offset within the same line on the statements of operations. Separate accounts credited with a contractual investment return are combined on a line-by-line basis with the Company's general account assets, liabilities, revenues and expenses and the accounting for these investments is consistent with the methodologies described herein for similar financial instruments held within the general account. Unit-linked separate account investments that are directed by contractholders but do not meet one or more of the other above criteria are included in fair value option ("FVO") securities ("FVO Securities").

The Company's revenues reflect fees charged to the separate accounts, including mortality charges, risk charges, policy administration fees, investment management fees and surrender charges. Such fees are included in universal life and investment-type product policy fees on the statements of operations.

Reclassifications

Certain amounts in the prior years' consolidated financial statements and related footnotes thereto have been reclassified to conform to the current year presentation as discussed throughout the Notes to the Consolidated Financial Statements.

Summary of Significant Accounting Policies

The following are the Company's significant accounting policies with references to notes providing additional information on such policies and critical accounting estimates relating to such policies.

| Accounting Policy | Note |
|---|---|
| Insurance | 4 |
| Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles | 5 |
| Reinsurance | 6 |
| Investments | 8 |
| Derivatives | 9 |
| Fair Value | 10 |
| Goodwill | 11 |
| Employee Benefit Plans | 17 |
| Income Tax | 18 |
| Litigation Contingencies | 20 |

Insurance

Future Policy Benefit Liabilities and Policyholder Account Balances

The Company establishes liabilities for amounts payable under insurance policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid, reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability terminations, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type and geographical area. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a block of business basis. For long duration insurance contracts, assumptions such as mortality, morbidity and interest rates are "locked in" upon the issuance of new business. However, significant adverse changes in experience on such contracts may require the establishment of premium deficiency reserves. Such reserves are determined based on the then current assumptions and do not include a provision for adverse deviation.

189

Premium deficiency reserves may also be established for short-duration contracts to provide for expected future losses. These reserves are based on actuarial estimates of the amount of loss inherent in that period, including losses incurred for which claims have not been reported. The provisions for unreported claims are calculated using studies that measure the historical length of time between the incurred date of a claim and its eventual reporting to the Company. Anticipated investment income is considered in the calculation of premium deficiency losses for short-duration contracts.

Liabilities for universal and variable life policies with secondary guarantees ("ULSG") and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the life of the contract based on total expected assessments. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing deferred policy acquisition costs ("DAC"), and are thus subject to the same variability and risk as further discussed herein. The assumptions of investment performance and volatility for variable products are consistent with historical experience of appropriate underlying equity indices, such as the S&P Global Ratings ("S&P") 500 Index. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

The Company regularly reviews its estimates of liabilities for future policy benefits and compares them with its actual experience. Differences result in changes to the liability balances with related charges or credits to benefit expenses in the period in which the changes occur.

Policyholder account balances relate to contracts or contract features where the Company has no significant insurance risk.

The Company issues directly and assumes through reinsurance variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit adjusted for withdrawals. These guarantees are accounted for as insurance liabilities or as embedded derivatives depending on how and when the benefit is paid. Specifically, a guarantee is accounted for as an embedded derivative if a guarantee is paid without requiring (i) the occurrence of a specific insurable event, or (ii) the policyholder to annuitize. Alternatively, a guarantee is accounted for as an insurance liability if the guarantee is paid only upon either (i) the occurrence of a specific insurable event, or (ii) annuitization. In certain cases, a guarantee may have elements of both an insurance liability and an embedded derivative and in such cases the guarantee is split and accounted for under both models.

Guarantees accounted for as insurance liabilities in future policy benefits include guaranteed minimum death benefits ("GMDBs"), the life-contingent portion of guaranteed minimum withdrawal benefits ("GMWBs"), elective annuitizations of guaranteed minimum income benefits ("GMIBs"), and the life contingent portion of GMIBs that require annuitization when the account balance goes to zero.

Guarantees accounted for as embedded derivatives in policyholder account balances include guaranteed minimum accumulation benefits ("GMABs"), the non-life contingent portion of GMWBs and certain non-life contingent portions of GMIBs. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent "excess" fees and are reported in universal life and investment-type product policy fees.

Other Policy-Related Balances

Other policy-related balances include policy and contract claims, premiums received in advance, unearned revenue liabilities, obligations assumed under structured settlement assignments, policyholder dividends due and unpaid, policyholder dividends left on deposit and negative value of business acquired ("VOBA").

The liability for policy and contract claims generally relates to incurred but not reported ("IBNR") death, disability, long-term care and dental claims, as well as claims which have been reported but not yet settled. The liability for these claims is based on the Company's estimated ultimate cost of settling all claims. The Company derives estimates for the development of IBNR claims principally from analyses of historical patterns of claims by business line. The methods used to determine these estimates are continually reviewed. Adjustments resulting from this continuous review process and differences between estimates and payments for claims are recognized in policyholder benefits and claims

expense in the period in which the estimates are changed or payments are made.
The Company accounts for the prepayment of premiums on its individual life, group life and health contracts as premiums received in advance and applies the cash received to premiums when due.

190

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

The unearned revenue liability relates to universal life-type and investment-type products and represents policy charges for services to be provided in future periods. The charges are deferred as unearned revenue and amortized using the product's estimated gross profits and margins, similar to DAC as discussed further herein. Such amortization is recorded in universal life and investment-type product policy fees.
See Note 3 for additional information on obligations assumed under structured settlement assignments.
See "— Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles" for a discussion of negative VOBA.
Recognition of Insurance Revenues and Deposits
Premiums related to traditional life, annuity contracts with life contingencies, long-duration accident & health, and credit insurance policies are recognized as revenues when due from policyholders. Policyholder benefits and expenses are provided to recognize profits over the estimated lives of the insurance policies. When premiums are due over a significantly shorter period than the period over which benefits are provided, any excess profit is deferred and recognized into earnings in a constant relationship to insurance in-force or, for annuities, the amount of expected future policy benefit payments.
Premiums related to short-duration non-medical health and disability, accident & health, and certain credit insurance contracts are recognized on a pro rata basis over the applicable contract term.
Deposits related to universal life-type and investment-type products are credited to policyholder account balances. Revenues from such contracts consist of fees for mortality, policy administration and surrender charges and are recorded in universal life and investment-type product policy fees in the period in which services are provided. Amounts that are charged to earnings include interest credited and benefit claims incurred in excess of related policyholder account balances.
Premiums related to property & casualty contracts are recognized as revenue on a pro rata basis over the applicable contract term. Unearned premiums, representing the portion of premium written related to the unexpired coverage, are also included in future policy benefits.
All revenues and expenses are presented net of reinsurance as applicable.
Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles
The Company incurs significant costs in connection with acquiring new and renewal insurance business. Costs that are related directly to the successful acquisition or renewal of insurance contracts are capitalized as DAC. Such costs include:
- incremental direct costs of contract acquisition, such as commissions;
- the portion of an employee's total compensation and benefits related to time spent selling, underwriting or processing the issuance of new and renewal insurance business only with respect to actual policies acquired or renewed;
- other essential direct costs that would not have been incurred had a policy not been acquired or renewed; and
- the costs of direct-response advertising, the primary purpose of which is to elicit sales to customers who could be shown to have responded specifically to the advertising and that results in probable future benefits.

All other acquisition-related costs, including those related to general advertising and solicitation, market research, agent training, product development, unsuccessful sales and underwriting efforts, as well as all indirect costs, are expensed as incurred.
VOBA is an intangible asset resulting from a business combination that represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in-force at the acquisition date. The estimated fair value of the acquired liabilities is based on projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience on the purchased business may vary from these projections.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

DAC and VOBA are amortized as follows:

| Products: | In proportion to the following over estimated lives of the contracts: |
|---|---|
| • Nonparticipating and non-dividend-paying traditional contracts: | Actual and expected future gross premiums. |
| • Term insurance | |
| • Nonparticipating whole life insurance | |
| • Traditional group life insurance | |
| • Non-medical health insurance | |
| • Accident & health insurance | |
| • Participating, dividend-paying traditional contracts | Actual and expected future gross margins. |
| • Fixed and variable universal life contracts | Actual and expected future gross profits. |
| • Fixed and variable deferred annuity contracts | |
| • Credit insurance contracts | Actual and future earned premiums. |
| • Property & casualty insurance contracts | |
| • Other short-duration contracts | |

See Note 5 for additional information on DAC and VOBA amortization. Amortization of DAC and VOBA is included in other expenses.

The recovery of DAC and VOBA is dependent upon the future profitability of the related business. DAC and VOBA are aggregated on the financial statements for reporting purposes.

The Company generally has two different types of sales inducements which are included in other assets: (i) the policyholder receives a bonus whereby the policyholder’s initial account balance is increased by an amount equal to a specified percentage of the customer’s deposit; and (ii) the policyholder receives a higher interest rate using a dollar cost averaging method than would have been received based on the normal general account interest rate credited. The Company defers sales inducements and amortizes them over the life of the policy using the same methodology and assumptions used to amortize DAC. The amortization of sales inducements is included in policyholder benefits and claims. Each year, or more frequently if circumstances indicate a potential recoverability issue exists, the Company reviews deferred sales inducements (“DSI”) to determine the recoverability of the asset.

Value of distribution agreements acquired (“VODA”) is reported in other assets and represents the present value of expected future profits associated with the expected future business derived from the distribution agreements acquired as part of a business combination. Value of customer relationships acquired (“VOCRA”) is also reported in other assets and represents the present value of the expected future profits associated with the expected future business acquired through existing customers of the acquired company or business. The VODA and VOCRA associated with past business combinations are amortized over useful lives ranging from 10 to 40 years and such amortization is included in other expenses. Each year, or more frequently if circumstances indicate a possible impairment exists, the Company reviews VODA and VOCRA to determine whether the asset is impaired.

For certain acquired blocks of business, the estimated fair value of the in-force contract obligations exceeded the book value of assumed in-force insurance policy liabilities, resulting in negative VOBA, which is presented separately from VOBA as an additional insurance liability. The fair value of the in-force contract obligations is based on projections by each block of business. Negative VOBA is amortized over the policy period in proportion to the approximate consumption of losses included in the liability usually expressed in terms of insurance in-force or account value. Such amortization is recorded as an offset in other expenses.

Reinsurance

For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. Cessions under reinsurance agreements do not discharge the Company’s obligations as the primary insurer. The Company reviews all contractual features, including those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

For reinsurance of existing in-force blocks of long-duration contracts that transfer significant insurance risk, the difference, if any, between the amounts paid (received), and the liabilities ceded (assumed) related to the underlying contracts is considered the net cost of reinsurance at the inception of the reinsurance agreement. The net cost of reinsurance is recorded as an adjustment to DAC when there is a gain at inception on the ceding entity, and to other liabilities when there is a loss at inception. The net cost of reinsurance is recognized as a component of other expenses when there is a gain at inception, and as policyholder benefits and claims when there is a loss at inception and is subsequently amortized on a basis consistent with the methodology used for amortizing DAC related to the underlying reinsured contracts. Subsequent amounts paid (received) on the reinsurance of in-force blocks, as well as amounts paid (received) related to new business, are recorded as ceded (assumed) premiums; and ceded (assumed) premiums, reinsurance and other receivables (future policy benefits) are established.

For prospective reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid (received) are recorded as ceded (assumed) premiums and ceded (assumed) unearned premiums. Unearned premiums are reflected as a component of premiums, reinsurance and other receivables (future policy benefits). Such amounts are amortized through earned premiums over the remaining contract period in proportion to the amount of insurance protection provided. For retroactive reinsurance of short-duration contracts that meet the criteria of reinsurance accounting, amounts paid (received) in excess of the related insurance liabilities ceded (assumed) are recognized immediately as a loss and are reported in the appropriate line item within the statement of operations. Any gain on such retroactive agreement is deferred and is amortized as part of DAC, primarily using the recovery method.

Amounts currently recoverable under reinsurance agreements are included in premiums, reinsurance and other receivables and amounts currently payable are included in other liabilities. Assets and liabilities relating to reinsurance agreements with the same reinsurer may be recorded net on the balance sheet, if a right of offset exists within the reinsurance agreement. In the event that reinsurers do not meet their obligations to the Company under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible. In such instances, reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance.

Premiums, fees and policyholder benefits and claims include amounts assumed under reinsurance agreements and are net of reinsurance ceded. Amounts received from reinsurers for policy administration are reported in other revenues. With respect to GMIBs, a portion of the directly written GMIBs are accounted for as insurance liabilities, but the associated reinsurance agreements contain embedded derivatives. These embedded derivatives are included in premiums, reinsurance and other receivables with changes in estimated fair value reported in policyholder benefits and claims.

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Deposits received are included in other liabilities and deposits made are included within premiums, reinsurance and other receivables. As amounts are paid or received, consistent with the underlying contracts, the deposit assets or liabilities are adjusted. Interest on such deposits is recorded as other revenues or other expenses, as appropriate. Periodically, the Company evaluates the adequacy of the expected payments or recoveries and adjusts the deposit asset or liability through other revenues or other expenses, as appropriate.

## Investments

### Net Investment Income and Net Investment Gains (Losses)

Income from investments is reported within net investment income, unless otherwise stated herein. Gains and losses on sales of investments, impairment losses and changes in valuation allowances are reported within net investment gains (losses), unless otherwise stated herein.

### Fixed Maturity Securities

The majority of the Company’s fixed maturity securities are classified as available-for-sale (“AFS”) and are reported at their estimated fair value. Unrealized investment gains and losses on these securities are recorded as a separate component of other comprehensive income (loss) (“OCI”), net of policy-related amounts and deferred income taxes. All security transactions are recorded on a trade date basis. Sales of securities are determined on a specific identification basis.

193

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premium and accretion of discount, and is based on the estimated economic life of the securities, which for mortgage-backed and asset-backed securities considers the estimated timing and amount of prepayments of the underlying loans. See Note 8 "— Fixed Maturity Securities AFS — Methodology for Amortization of Premium and Accretion of Discount on Structured Securities." The amortization of premium and accretion of discount also takes into consideration call and maturity dates.
The Company periodically evaluates these securities for impairment. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in estimated fair value, as well as an analysis of the gross unrealized losses by severity and/or age as described in Note 8 "— Evaluation of Fixed Maturity Securities AFS for OTTI and Evaluating Temporarily Impaired Fixed Maturity Securities AFS."
For securities in an unrealized loss position, an other-than-temporary impairment ("OTTI") is recognized in earnings within net investment gains (losses) when it is anticipated that the amortized cost will not be recovered. When either: (i) the Company has the intent to sell the security; or (ii) it is more likely than not that the Company will be required to sell the security before recovery, the OTTI recognized in earnings is the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions exists, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings ("credit loss"). If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of OTTI related to other-than-credit factors ("noncredit loss") is recorded in OCI.
Equity Securities
Equity securities are reported at their estimated fair value, with changes in estimated fair value included in net investment gains (losses). Sales of securities are determined on a specific identification basis. Dividends are recognized in net investment income when declared.
Contractholder-Directed Equity Securities and FVO Securities
Contractholder-directed equity securities and FVO Securities (collectively, "Unit-linked and FVO Securities") are investments for which the FVO has been elected, or are otherwise required to be carried at estimated fair value, and include:

- contractholder-directed investments supporting unit-linked variable annuity type liabilities ("Unit-linked investments") which do not qualify for presentation and reporting as separate account summary total assets and liabilities. These investments are primarily equity securities (including mutual funds) and, to a lesser extent, fixed maturity securities, short-term investments and cash and cash equivalents. The investment returns on these investments inure to contractholders and are offset by a corresponding change in policyholder account balances through interest credited to policyholder account balances;
- fixed maturity and equity securities held-for-investment by the general account to support asset and liability management strategies for certain insurance products and investments in certain separate accounts; and
- securities held by consolidated securitization entities ("CSEs").

At December 31, 2017, Unit-linked and FVO Securities also included the estimated fair value of the Brighthouse Financial, Inc. common stock held by the Company ("FVO Brighthouse Common Stock"). See Note 3.
Mortgage Loans
The Company disaggregates its mortgage loan investments into three portfolio segments: commercial, agricultural and residential. The accounting policies that are applicable to all portfolio segments are presented below and the accounting policies related to each of the portfolio segments are included in Note 8.
Mortgage loans are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, and are net of valuation allowances. Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premium and accretion of discount.

Also included in mortgage loans are residential mortgage loans for which the FVO was elected, and which are stated at estimated fair value. Changes in estimated fair value are recognized in net investment income.

194

Policy Loans

Policy loans are stated at unpaid principal balances. Interest income is recorded as earned using the contractual interest rate. Generally, accrued interest is capitalized on the policy's anniversary date. Valuation allowances are not established for policy loans, as they are fully collateralized by the cash surrender value of the underlying insurance policies. Any unpaid principal and accrued interest is deducted from the cash surrender value or the death benefit prior to settlement of the insurance policy.

Real Estate

Real estate held-for-investment is stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset (typically 20 to 55 years). Rental income is recognized on a straight-line basis over the term of the respective leases. The Company periodically reviews its real estate held-for-investment for impairment and tests for recoverability whenever events or changes in circumstances indicate the carrying value may not be recoverable. Properties whose carrying values are greater than their undiscounted cash flows are written down to their estimated fair value, which is generally computed using the present value of expected future cash flows discounted at a rate commensurate with the underlying risks.

Real estate for which the Company commits to a plan to sell within one year and actively markets in its current condition for a reasonable price in comparison to its estimated fair value is classified as held-for-sale. Real estate held-for-sale is stated at the lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated.

Real Estate Joint Ventures and Other Limited Partnership Interests

The Company uses the equity method of accounting for real estate joint ventures and other limited partnership interests ("investee") when it has more than a minor ownership interest or more than a minor influence over the investee's operations. The Company generally recognizes its share of the investee's earnings in net investment income on a three-month lag in instances where the investee's financial information is not sufficiently timely or when the investee's reporting period differs from the Company's reporting period.

The Company accounts for its interest in real estate joint ventures and other limited partnership interests in which it has virtually no influence over the investee's operations at fair value. Changes in estimated fair value of these investments are included in net investment gains (losses). Because of the nature and structure of these investments, they do not meet the characteristics of an equity security in accordance with applicable accounting standards.

The Company routinely evaluates its equity method investments for impairment. For equity method investees, the Company considers financial and other information provided by the investee, other known information and inherent risks in the underlying investments, as well as future capital commitments, in determining whether an impairment has occurred.

Short-term Investments

Short-term investments include highly liquid securities and other investments with remaining maturities of one year or less, but greater than three months, at the time of purchase. Securities included within short-term investments are stated at estimated fair value, while other investments included within short-term investments are stated at amortized cost, which approximates estimated fair value.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Other Invested Assets
Other invested assets consist principally of the following:

- Freestanding derivatives with positive estimated fair values which are described in "— Derivatives" below.
- Tax credit and renewable energy partnerships which derive a significant source of investment return in the form of income tax credits or other tax incentives. Where tax credits are guaranteed by a creditworthy third party, the investment is accounted for under the effective yield method. Otherwise, the investment is accounted for under the equity method. See Note 18.
- Annuities funding structured settlement claims represent annuities funding claims assumed by the Company in its capacity as a structured settlements assignment company. The annuities are stated at their contract value, which represents the present value of the future periodic claim payments to be provided. The net investment income recognized reflects the amortization of discount of the annuity at its implied effective interest rate. See Note 3.
- Direct financing leases net investment is equal to the minimum lease payments plus the unguaranteed residual value, less the unearned income. Income is determined by applying the pre-tax internal rate of return to the investment balance. The Company regularly reviews lease receivables for impairment. Certain direct financing leases are linked to inflation.
- Leveraged leases net investment is equal to the minimum lease payments plus the unguaranteed residual value, less the unearned income, and is recorded net of non-recourse debt. Income is determined by applying the leveraged lease's estimated rate of return to the net investment in the lease in those periods in which the net investment at the beginning of the period is positive. Leveraged leases derive investment returns in part from their income tax treatment. The Company regularly reviews residual values for impairment.
- Investments in operating joint ventures that engage in insurance underwriting activities are accounted for under the equity method.
- Investments in Federal Home Loan Bank ("FHLB") common stock are carried at redemption value and are considered restricted investments until redeemed by the respective FHLB regional banks ("FHLBanks").
- Funds withheld represent a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements. The Company recognizes interest on funds withheld at rates defined by the terms of the agreement which may be contractually specified or directly related to the underlying investments.

Securities Lending and Repurchase Agreements
The Company accounts for securities lending transactions and repurchase agreements as financing arrangements and the associated liability is recorded at the amount of cash received. Income and expenses associated with securities lending transactions and repurchase agreements are reported as investment income and investment expense, respectively, within net investment income.
Securities Lending
The Company enters into securities lending transactions, whereby blocks of securities are loaned to third parties, primarily brokerage firms and commercial banks. The Company obtains collateral at the inception of the loan, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, and maintains it at a level greater than or equal to 100% for the duration of the loan. Securities loaned under such transactions may be sold or re-pledged by the transferee. The Company is liable to return to the counterparties the cash collateral received. Security collateral on deposit from counterparties in connection with securities lending transactions may not be sold or re-pledged, unless the counterparty is in default, and is not reflected on the Company's financial statements. The Company monitors the estimated fair value of the securities loaned on a daily basis and additional collateral is obtained as necessary throughout the duration of the loan.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Repurchase Agreements
The Company participates in short-term repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company lends fixed maturity securities and receives cash as collateral in an amount generally equal to 85% to 100% of the estimated fair value of the securities loaned at the inception of the transaction. The Company monitors the estimated fair value of the collateral and the securities loaned throughout the duration of the transaction and additional collateral is obtained as necessary. Securities loaned under such transactions may be sold or re-pledged by the transferee.
FHLB of Boston Advance Agreements
A subsidiary of the Company has entered into short-term advance agreements with the FHLB of Boston. Under these advance agreements, the subsidiary pledges fixed maturity securities AFS as collateral and receives cash, which is segregated and reinvested, primarily into fixed maturity securities AFS and cash equivalents. While the collateral management practices are unique to this program, these transactions are accounted for, have collateral maintenance requirements and have restrictions on securities pledged similar to securities lending transactions, as described above. Securities pledged as collateral may not be sold or re-pledged by the transferee.
Derivatives
Freestanding Derivatives
Freestanding derivatives are carried on the Company's balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.
Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivative's carrying value in other invested assets or other liabilities.
If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except as follows:

| Statement of Operations Presentation: | Derivative: |
| --- | --- |
| Policyholder benefits and claims | • Economic hedges of variable annuity guarantees included in future policy benefits |
| Net investment income | • Economic hedges of equity method investments in joint ventures |
| | • All derivatives held in relation to trading portfolios |
| | • Derivatives held within Unit-linked investments |

Hedge Accounting
To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. Hedge designation and financial statement presentation of changes in estimated fair value of the hedging derivatives are as follows:

- Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) - in net derivative gains (losses), consistent with the change in estimated fair value of the hedged item attributable to the designated risk being hedged.
- Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) - effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).
- Net investment in a foreign operation hedge - effectiveness in OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation; ineffectiveness in net derivative gains (losses).

The changes in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported on the statement of operations within interest income or interest expense to match the location of the hedged item. Accruals on derivatives in net investment hedges are recognized in OCI.

197

In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness and the method that will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging instrument.

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized in net derivative gains (losses). The carrying value of the hedged recognized asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized currently in net derivative gains (losses). Deferred gains and losses of a derivative recorded in OCI pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in net derivative gains (losses).

In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value on the balance sheet, with changes in its estimated fair value recognized in the current period as net derivative gains (losses).

Embedded Derivatives

The Company sells variable annuities and issues certain insurance products and investment contracts and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at estimated fair value with changes in estimated fair value recorded in earnings;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses). If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent “excess” fees and are reported in universal life and investment-type product policy fees.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Fair Value
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In most cases, the exit price and the transaction (or entry) price will be the same at initial recognition.
Subsequent to initial recognition, fair values are based on unadjusted quoted prices for identical assets or liabilities in active markets that are readily and regularly obtainable. When such unadjusted quoted prices are not available, estimated fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical assets or liabilities, or other observable inputs. If these inputs are not available, or observable inputs are not determinable, unobservable inputs and/or adjustments to observable inputs requiring management's judgment are used to determine the estimated fair value of assets and liabilities.
Goodwill
Goodwill represents the future economic benefits arising from net assets acquired in a business combination that are not individually identified and recognized. Goodwill is calculated as the excess of cost over the estimated fair value of such net assets acquired, is not amortized, and is tested for impairment based on a fair value approach at least annually, or more frequently if events or circumstances indicate that there may be justification for conducting an interim test. The Company performs its annual goodwill impairment testing during the third quarter based upon data as of the close of the second quarter. Goodwill associated with a business acquisition is not tested for impairment during the year the business is acquired unless there is a significant identified impairment event.
The impairment test is performed at the reporting unit level, which is the operating segment or a business one level below the operating segment, if discrete financial information is prepared and regularly reviewed by management at that level. For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, there may be an indication of impairment. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business combination. The excess of the carrying value of goodwill over the implied fair value of goodwill would be recognized as an impairment and recorded as a charge against net income.
On an ongoing basis, the Company evaluates potential triggering events that may affect the estimated fair value of the Company's reporting units to assess whether any goodwill impairment exists. Deteriorating or adverse market conditions for certain reporting units may have a significant impact on the estimated fair value of these reporting units and could result in future impairments of goodwill.
Employee Benefit Plans
Certain subsidiaries of MetLife, Inc. sponsor and/or administer various plans that provide defined benefit pension and other postretirement benefits covering eligible employees. Measurement dates used for all of the subsidiaries' defined benefit pension and other postretirement benefit plans correspond with the fiscal year ends of sponsoring subsidiaries, which is December 31 for U.S. and non-U.S. subsidiaries.
The Company recognizes the funded status of each of its defined benefit pension and postretirement benefit plans, measured as the difference between the fair value of plan assets and the benefit obligation, which is the projected benefit obligation ("PBO") for pension benefits and the accumulated postretirement benefit obligation ("APBO") for other postretirement benefits in other assets or other liabilities.
Actuarial gains and losses result from differences between the actual experience and the assumed experience on plan assets or PBO during a particular period and are recorded in accumulated OCI ("AOCI"). To the extent such gains and losses exceed 10% of the greater of the PBO or the estimated fair value of plan assets, the excess is amortized into net periodic benefit costs, generally over the average projected future service years of the active employees. In addition, prior service costs (credit) are recognized in AOCI at the time of the amendment and then amortized to net periodic benefit costs over the average projected future service years of the active employees.

Net periodic benefit costs are determined using management's estimates and actuarial assumptions and are comprised of service cost, interest cost, settlement and curtailment costs, expected return on plan assets, amortization of net actuarial (gains) losses, and amortization of prior service costs (credit). Fair value is used to determine the expected return on plan assets.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

The subsidiaries also sponsor defined contribution plans for substantially all U.S. employees under which a portion of employee contributions is matched. Applicable matching contributions are made each payroll period. Accordingly, the Company recognizes compensation cost for current matching contributions. As all contributions are transferred currently as earned to the defined contribution plans, no liability for matching contributions is recognized on the balance sheets.

Income Tax

MetLife, Inc. and its includable life insurance and non-life insurance subsidiaries file a consolidated U.S. federal income tax return in accordance with the provisions of the Internal Revenue Code of 1986, as amended. Non-includable subsidiaries file either separate individual corporate tax returns or separate consolidated tax returns.

The Company's accounting for income taxes represents management's best estimate of various events and transactions.

Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.

The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established against deferred tax assets when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, the Company considers many factors, including:

- the nature, frequency, and amount of cumulative financial reporting income and losses in recent years;
- the jurisdiction in which the deferred tax asset was generated;
- the length of time that carryforward can be utilized in the various taxing jurisdictions;
- future taxable income exclusive of reversing temporary differences and carryforwards;
- future reversals of existing taxable temporary differences;
- taxable income in prior carryback years; and
- tax planning strategies.

The Company may be required to change its provision for income taxes when estimates used in determining valuation allowances on deferred tax assets significantly change or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, the effect of changes in tax laws, tax regulations, or interpretations of such laws or regulations, is recognized in net income tax expense (benefit) in the period of change.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded on the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Unrecognized tax benefits due to tax uncertainties that do not meet the threshold are included within other liabilities and are charged to earnings in the period that such determination is made.

The Company classifies interest recognized as interest expense and penalties recognized as a component of income tax expense.

On December 22, 2017, President Trump signed into law H.R.1, commonly referred to as the Tax Cuts and Jobs Act of 2017 ("U.S. Tax Reform"). See Note 18 for additional information on U.S. Tax Reform and related Staff Accounting Bulletin ("SAB") 118 provisional amounts.

Litigation Contingencies

The Company is a defendant in a large number of litigation matters and is involved in a number of regulatory investigations. Given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Except as otherwise disclosed in Note 20, legal costs are recognized as incurred. On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected on the Company's financial statements.

Other Accounting Policies

Stock-Based Compensation

The Company grants certain employees and directors stock-based compensation awards under various plans that are subject to specific vesting conditions. With the exception of performance shares granted in 2013 through 2018, and cash-payable awards, each of which are re-measured quarterly, the Company measures the cost of all stock-based transactions at fair value at grant date and recognizes it over the period during which a grantee must provide services in exchange for the award. Employees who meet certain age-and-service criteria receive payment or may exercise their awards regardless of ending employment. However, the award's payment or exercisability takes place at the originally-scheduled time, i.e., is not accelerated. As a result, the award does not require the employee to provide any substantive service after attaining those age-and-service criteria. Accordingly, the Company recognizes compensation expense related to stock-based awards from the beginning of the vesting to the earlier of the end of the vesting period or the date the employee attains the age-and-service criteria. The Company incorporates an estimation of future forfeitures of stock-based awards into the determination of compensation expense when recognizing expense over the requisite service period.

Cash and Cash Equivalents

The Company considers highly liquid securities and other investments purchased with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Securities included within cash equivalents are stated at estimated fair value, while other investments included within cash equivalents are stated at amortized cost, which approximates estimated fair value.

Property, Equipment, Leasehold Improvements and Computer Software

Property, equipment and leasehold improvements, which are included in other assets, are stated at cost, less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, as appropriate. The estimated life is generally 40 years for company occupied real estate property, from one to 25 years for leasehold improvements, and from three to seven years for all other property and equipment. The cost basis of the property, equipment and leasehold improvements was $2.6 billion and $2.5 billion at December 31, 2018 and 2017, respectively. Accumulated depreciation and amortization of property, equipment and leasehold improvements was $1.2 billion and $1.1 billion at December 31, 2018 and 2017, respectively. Related depreciation and amortization expense was $191 million, $207 million and $206 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Computer software, which is included in other assets, is stated at cost, less accumulated amortization. Purchased software costs, as well as certain internal and external costs incurred to develop internal-use computer software during the application development stage, are capitalized. Such costs are amortized generally over a four-year period using the straight-line method. The cost basis of computer software was $3.1 billion and $2.8 billion at December 31, 2018 and 2017, respectively. Accumulated amortization of capitalized software was $2.2 billion and $2.0 billion at December 31, 2018 and 2017, respectively. Related amortization expense was $276 million, $250 million and $208 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Other Revenues

Other revenues primarily include fees related to service contracts from customers related to prepaid legal plans, administrative services-only ("ASO") contracts, and investment management services. Substantially all of the revenue from the services is recognized over time as the applicable services are provided or are made available to the customers. The revenue recognized includes variable consideration to the extent it is probable that a significant reversal will not occur. In addition to the service fees, other revenues also include certain stable value fee and other miscellaneous revenues. These fees and miscellaneous revenues are recognized as earned.

Policyholder Dividends

Policyholder dividends are approved annually by the insurance subsidiaries' boards of directors. The aggregate amount of policyholder dividends is related to actual interest, mortality, morbidity and expense experience for the year, as well as management's judgment as to the appropriate level of statutory surplus to be retained by the insurance subsidiaries.

Foreign Currency

Assets, liabilities and operations of foreign affiliates and subsidiaries are recorded based on the functional currency of each entity. The determination of the functional currency is made based on the appropriate economic and management indicators. For most of the Company's foreign operations, the local currency is the functional currency. For certain other foreign operations, such as Japan, the local currency and one or more other currencies qualify as functional currencies. Assets and liabilities of foreign affiliates and subsidiaries are translated from the functional currency to U.S. dollars at the exchange rates in effect at each year-end and revenues and expenses are translated at the average exchange rates during the year. The resulting translation adjustments are charged or credited directly to OCI, net of applicable taxes. Gains and losses from foreign currency transactions, including the effect of re-measurement of monetary assets and liabilities to the appropriate functional currency, are reported as part of net investment gains (losses) in the period in which they occur.

Earnings Per Common Share

Basic earnings per common share are computed based on the weighted average number of common shares, or their equivalent, outstanding during the period. Diluted earnings per common share include the dilutive effect of the assumed exercise or issuance of stock-based awards using the treasury stock method. Under the treasury stock method, exercise or issuance of stock-based awards is assumed to occur with the proceeds used to purchase common stock at the average market price for the period. The difference between the number of shares assumed issued and number of shares assumed purchased represents the dilutive shares.

Recent Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. The following tables provide a description of new ASUs issued by the FASB and the impact of the adoption on the Company's consolidated financial statements.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncements
Except as noted below, the ASUs adopted by the Company effective January 1, 2018 did not have a material impact on its consolidated financial statements.

| Standard | Description | Effective Date and Method of Adoption | Impact on Financial Statements |
|---|---|---|---|
| ASU 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income | The new guidance allows a reclassification of AOCI to retained earnings for stranded tax effects resulting from the U.S. Tax Reform. Due to the change in corporate tax rates resulting from the U.S. Tax Reform, the Company reported stranded tax effects in AOCI related to unrealized gains and losses on AFS securities, cumulative foreign translation adjustments and deferred costs on pension benefit plans. | January 1, 2018, the Company applied the ASU in the period of adoption. | The adoption of this guidance resulted in the release of stranded tax effects in AOCI resulting from the U.S. Tax Reform by decreasing retained earnings as of January 1, 2018 by $1.2 billion with a corresponding increase to AOCI. The Company's accounting policy for the release of stranded tax effects in AOCI is on an aggregate portfolio basis. |
| ASU 2016-01, Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, as clarified and amended by ASU 2018-03, Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. | The new guidance changed the previous accounting guidance related to (i) the classification and measurement of certain equity investments, (ii) the presentation of changes in the fair value of financial liabilities measured under the FVO that are due to instrument-specific credit risk, and (iii) certain disclosures associated with the fair value of financial instruments. There is no longer a requirement to assess equity securities for impairment since such securities are now measured at fair value through net income. Additionally, there is no longer a requirement to assess equity securities for embedded derivatives requiring bifurcation. | January 1, 2018, the Company adopted, using a modified retrospective approach. | The adoption of this guidance resulted in a $328 million, net of income tax, increase to retained earnings largely offset by a decrease to AOCI that was primarily attributable to $1.7 billion of equity securities previously classified and measured as equity securities AFS. At December 31, 2017, equity securities of $16.0 billion primarily associated with Unit-linked investments were accounted for using the FVO and therefore were unaffected by the new guidance. The Company has included the required disclosures related to equity securities AFS within Note 8. |
| ASU 2014-09, Revenue from Contracts with Customers (Topic 606) | The new guidance supersedes nearly all existing revenue recognition guidance under GAAP. However, it does not impact the accounting for insurance and investment contracts | January 1, 2018, the Company adopted, using a modified | The adoption of the guidance did not have a material impact on the Company's consolidated financial statements other than expanded disclosures in |

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| | within the scope of FASB Accounting Standard Codification Topic 944, Financial Services - Insurance, leases, financial instruments and certain guarantees. For those contracts that are impacted, the new guidance requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. | retrospective approach. | Note 16. |

Other

Effective January 16, 2018, the London Clearing House ("LCH") amended its rulebook, resulting in the characterization of variation margin transfers as settlement payments, as opposed to adjustments to collateral. These amendments impacted the accounting treatment of the Company's centrally cleared derivatives, for which the LCH serves as the central clearing party. As of the effective date, the application of the amended rulebook reduced gross derivative assets by $369 million, gross derivative liabilities by $203 million, accrued investment income by $14 million, collateral receivables recorded within premiums, reinsurance and other receivables by $184 million, and collateral payables recorded within payables for collateral under securities loaned and other transactions by $365 million. The application of the amended rulebook increased accrued investment expense recorded within other liabilities by $1 million.

Effective January 3, 2017, the Chicago Mercantile Exchange ("CME") amended its rulebook, resulting in the characterization of variation margin transfers as settlement payments, as opposed to adjustments to collateral. These amendments impacted the accounting treatment of the Company's centrally cleared derivatives for which the CME serves as the central clearing party. As of the effective date, the application of the amended rulebook reduced gross derivative assets by $1.8 billion, gross derivative liabilities by $2.0 billion, accrued investment income by $101 million, accrued investment expense recorded within other liabilities by $14 million, collateral receivables recorded within premiums, reinsurance and other receivables by $991 million, and collateral payables recorded within payables for collateral under securities loaned and other transactions by $816 million.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Future Adoption of New Accounting Pronouncements
ASUs not listed below were assessed and either determined to be not applicable or are not expected to have a material impact on the Company's consolidated financial statements. ASUs issued but not yet adopted as of December 31, 2018 that are being assessed and may or may not have a material impact on the Company's consolidated financial statements are summarized in the table below.

| Standard | Description | Effective Date and Method of Adoption | Impact on Financial Statements |
|---|---|---|---|
| ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities | The new guidance provides that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decisionmakers and service providers are variable interests. | January 1, 2020, to be applied retrospectively with a cumulative effect adjustment to retained earnings at the beginning of the earliest period presented. | The Company does not expect the adoption to have a material impact on its consolidated financial statements. |
| ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes | The new guidance permits the use of the overnight index swap rate based on the Secured Overnight Financing Rate as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815. | January 1, 2019, to be applied prospectively for qualifying new or redesignated hedging relationships entered into after January 1, 2019. | The Company does not expect the adoption to have a material impact on its consolidated financial statements. |
| ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract | The new guidance requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as an asset and which costs to expense as incurred. Implementation costs that are capitalized under the new guidance are required to be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. | January 1, 2020. The new guidance can be applied either prospectively to eligible costs incurred on or after the guidance is first applied, or retrospectively to all periods presented. | The Company is currently evaluating the impact of the new guidance on its consolidated financial statements. |
| ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit | The new guidance removes certain disclosures that no | December 31, 2020, to be applied on a retrospective | The Company is currently evaluating the impact of the |

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| Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans | longer are considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant for employers that sponsor defined benefit pension or other postretirement plans. | basis to all periods presented (with early adoption permitted). | new guidance on its consolidated financial statements. |
| ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement | The new guidance modifies the disclosure requirements on fair value by removing some requirements, modifying others, adding changes in unrealized gains and losses included in OCI for recurring Level 3 fair value measurements, and under certain circumstances, providing the option to disclose certain other quantitative information with respect to significant unobservable inputs in lieu of a weighted average. | January 1, 2020. Amendments related to changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively. All other amendments should be applied retrospectively. | As of December 31, 2018, the Company early adopted the provisions of the guidance that removed the requirements relating to transfers between fair value hierarchy levels and certain disclosures about valuation processes for Level 3 fair value measurements. The Company will adopt the remainder of the new guidance at the effective date, and is currently evaluating the impact of those changes on its consolidated financial statements. |

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

| Standard | Description | Effective Date and Method of Adoption | Impact on Financial Statements |
|---|---|---|---|
| ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts | The new guidance (i) prescribes the discount rate to be used in measuring the liability for future policy benefits for traditional and limited payment long-duration contracts, and requires assumptions for those liability valuations to be updated after contract inception, (ii) requires more market-based product guarantees on certain separate account and other account balance long-duration contracts to be accounted for at fair value, (iii) simplifies the amortization of DAC for virtually all long-duration contracts, and (iv) introduces certain financial statement presentation requirements, as well as significant additional quantitative and qualitative disclosures. | January 1, 2021, to be applied retrospectively to January 1, 2019 (with early adoption permitted). | The Company has started its implementation efforts and is currently evaluating the impact of the new guidance. Given the nature and extent of the required changes to a significant portion of the Company's operations, the adoption of this standard is expected to have a material impact on its consolidated financial statements. |
| ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities | The new guidance simplifies the application of hedge accounting in certain situations and amends the hedge accounting model to enable entities to better portray the economics of their risk management activities in their financial statements. | January 1, 2019, to be applied on a modified retrospective basis through a cumulative effect adjustment to retained earnings. | Upon adoption, the Company will make certain changes to its assessment of hedge effectiveness for fair value hedging relationships, and the Company will also reclassify hedge ineffectiveness for cash flow hedging relationships existing as of the adoption date, which was previously recorded to earnings, to AOCI. The estimated impact of adoption is a decrease to retained earnings of less than $250 million. |
| ASU 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities | The new guidance shortens the amortization period for certain callable debt securities held at a premium and requires the premium to be amortized to the earliest call date. However, the new guidance does not require an accounting change for securities held at a discount whose discount continues to be amortized to maturity. | January 1, 2019, to be applied on a modified retrospective basis through a cumulative effect adjustment to retained earnings. | The adoption of the new guidance will not have a material impact on the Company's consolidated financial statements. |

| | | | |
|---|---|---|---|
| ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment | The new guidance simplifies the current two-step goodwill impairment test by eliminating Step 2 of the test. The new guidance requires a one-step impairment test in which an entity compares the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, if any. | January 1, 2020, to be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. | The new guidance will reduce the complexity involved with the evaluation of goodwill for impairment. The impact of the new guidance will depend on the outcomes of future goodwill impairment tests. |

205

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

| Standard | Description | Effective Date and Method of Adoption | Impact on Financial Statements |
|---|---|---|---|
| ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as clarified and amended by ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses | This new guidance replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The new guidance requires that an OTTI on a debt security will be recognized as an allowance going forward, such that improvements in expected future cash flows after an impairment will no longer be reflected as a prospective yield adjustment through net investment income, but rather a reversal of the previous impairment and recognized through realized investment gains and losses. The guidance also requires enhanced disclosures. In November 2018, the FASB issued ASU 2018-19, clarifying that receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. The Company has assessed the asset classes impacted by the new guidance and is currently assessing the accounting and reporting system changes that will be required to comply with the new guidance. | January 1, 2020. For substantially all financial assets, the ASU is to be applied on a modified retrospective basis through a cumulative effect adjustment to retained earnings. For previously impaired debt securities and certain debt securities acquired with evidence of credit quality deterioration since origination, the new guidance is to be applied prospectively. | The Company believes that the most significant impact upon adoption will be to its mortgage loan investments. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements. |
| ASU 2016-02, Leases (Topic 842), as clarified and amended by ASU 2018-10, Codification Improvements to Topic 842, Leases, ASU 2018-11, Leases (Topic 842): Targeted Improvements, and ASU 2018-20, Leases (Topic 842): Narrow-Scope Improvements for Lessors | The new guidance requires a lessee to recognize assets and liabilities for leases with lease terms of more than 12 months. Leases would be classified as finance or operating leases and both types of leases will be recognized on the balance sheet. Lessor accounting will remain largely unchanged from current guidance except for certain targeted changes. The new guidance will also require new qualitative and quantitative disclosures. In July 2018, two amendments to the new guidance were issued. The amendments provide the option to adopt the new guidance prospectively without adjusting comparative periods. | January 1, 2019, to be applied on a modified retrospective basis using the optional transition method with a cumulative effect adjustment recorded at January 1, 2019. | The Company believes the most significant changes relate to (i) the recognition of new right of use assets and lease liabilities on the consolidated balance sheet for real estate operating leases; and (ii) the recognition of deferred gains associated with previous sale-leaseback transactions as a cumulative effect adjustment to retained earnings. On adoption, the Company will recognize additional operating |

Also, the amendments provide lessors with a practical expedient not to separate lease and non-lease components for certain operating leases. In December 2018, an amendment was issued to clarify lessor accounting relating to taxes, certain lessor's costs and variable payments related to both lease and non-lease components. The Company will adopt the new guidance and related amendments on January 1, 2019 and expects to elect certain practical expedients permitted under the transition guidance. In addition, the Company will elect the prospective transition option and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company has been executing an integrated implementation plan which includes a multi-functional working group with a project governance structure to address any resource, system, data and process gaps related to the implementation of the new standard. The Company is currently integrating a lease accounting technology solution and finalizing updated reporting processes and additional internal controls to facilitate compliance with the new guidance.

liabilities, with corresponding right of use assets of the same amount adjusted for prepaid/deferred rent, unamortized initial direct costs and potential impairment of right of use assets based on the present value of the remaining minimum rental payments. These assets and liabilities will represent less than 1% of the Company's total assets and total liabilities. The adoption will not have a material impact on its consolidated financial statements.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)

## 2. Segment Information

MetLife is organized into five segments: U.S.; Asia; Latin America; EMEA; and MetLife Holdings. In addition, the Company reports certain of its results of operations in Corporate & Other.

### U.S.

The U.S. segment offers a broad range of protection products and services aimed at serving the financial needs of customers throughout their lives. These products are sold to corporations and their respective employees, other institutions and their respective members, as well as individuals. The U.S. segment is organized into three businesses: Group Benefits, Retirement and Income Solutions ("RIS") and Property & Casualty.

- The Group Benefits business offers life, dental, group short- and long-term disability, individual disability, accidental death and dismemberment, vision and accident & health coverages, as well as prepaid legal plans. This business also sells ASO arrangements to some employers.
- The RIS business offers a broad range of life and annuity-based insurance and investment products, including stable value and pension risk transfer products, institutional income annuities, tort settlements, and capital markets investment products, as well as solutions for funding postretirement benefits and company-, bank- or trust-owned life insurance.
- The Property & Casualty business offers personal and commercial lines of property and casualty insurance, including private passenger automobile, homeowners' and personal excess liability insurance. In addition, Property & Casualty offers to small business owners property, liability and business interruption insurance.

### Asia

The Asia segment offers a broad range of products to both individuals and corporations, as well as to other institutions, and their respective employees, which include whole and term life, endowments, universal and variable life, accident & health insurance and fixed and variable annuities.

### Latin America

The Latin America segment offers a broad range of products to both individuals and corporations, as well as to other institutions, and their respective employees, which include life insurance, retirement and savings products, accident & health insurance and credit insurance.

### EMEA

The EMEA segment offers a broad range of products to both individuals and corporations, as well as to other institutions, and their respective employees, which include life insurance, accident & health insurance, retirement and savings products and credit insurance.

### MetLife Holdings

The MetLife Holdings segment consists of operations relating to products and businesses that the Company no longer actively markets in the United States, such as variable, universal, term and whole life insurance, variable, fixed and index-linked annuities, and long-term care insurance, as well as the assumed variable annuity guarantees from the Company's former operating joint venture in Japan.

### Corporate & Other

Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, including external integration and disposition costs, internal resource costs for associates committed to acquisitions and dispositions, enterprise-wide strategic initiative restructuring charges and various start-up and developing businesses (including the investment management business through which the Company, as a manager of assets such as global fixed income and real estate, provides differentiated investment solutions to institutional investors worldwide). Additionally, Corporate & Other includes run-off businesses. Corporate & Other also includes interest expense related to the majority of the Company's outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. In addition, Corporate & Other includes the elimination of intersegment amounts, which generally relate to affiliated reinsurance, investment expenses and intersegment loans, which bear interest rates commensurate with related borrowings. As a result of the Separation, for the year ended 2016, Corporate & Other includes corporate overhead costs previously allocated to the former Brighthouse Financial segment.

207

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
2. Segment Information (continued)

Financial Measures and Segment Accounting Policies

Adjusted earnings is used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, adjusted earnings is also the Company's GAAP measure of segment performance and is reported below. Adjusted earnings should not be viewed as a substitute for income (loss) from continuing operations, net of income tax. The Company believes the presentation of adjusted earnings, as the Company measures it for management purposes, enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business.

Adjusted earnings is defined as adjusted revenues less adjusted expenses, net of income tax.

The financial measures of adjusted revenues and adjusted expenses focus on the Company's primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations under GAAP and other businesses that have been or will be sold or exited by MetLife but do not meet the discontinued operations criteria under GAAP and are referred to as divested businesses. Divested businesses also includes the net impact of transactions with exited businesses that have been eliminated in consolidation under GAAP and costs relating to businesses that have been or will be sold or exited by MetLife that do not meet the criteria to be included in results of discontinued operations under GAAP. In addition, for the year ended December 31, 2016, adjusted revenues and adjusted expenses exclude the financial impact of converting the Company's Japan operations to calendar year-end reporting without retrospective application of this change to prior periods and is referred to as lag elimination. Adjusted revenues also excludes net investment gains (losses) and net derivative gains (losses). Adjusted expenses also excludes goodwill impairments.

The following additional adjustments are made to revenues, in the line items indicated, in calculating adjusted revenues:

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees ("GMIB fees");
- Net investment income: (i) includes earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) excludes post-tax adjusted earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iii) excludes certain amounts related to contractholder-directed equity securities, (iv) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP and (v) includes distributions of profits from certain other limited partnership interests that were previously accounted for under the cost method, but are now accounted for at estimated fair value, where the change in estimated fair value is recognized in net investment gains (losses) under GAAP; and
- Other revenues is adjusted for settlements of foreign currency earnings hedges and excludes fees received in association with services provided under transition service agreements ("TSA fees").

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
2. Segment Information (continued)

The following additional adjustments are made to expenses, in the line items indicated, in calculating adjusted expenses:

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass through adjustments, (iii) benefits and hedging costs related to GMIBs ("GMIB costs"), and (iv) market value adjustments associated with surrenders or terminations of contracts ("Market value adjustments");
- Interest credited to policyholder account balances includes adjustments for earned income on derivatives and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment and excludes certain amounts related to net investment income earned on contractholder-directed equity securities;
- Amortization of DAC and VOBA excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB fees and GMIB costs and (iii) Market value adjustments;
- Amortization of negative VOBA excludes amounts related to Market value adjustments;
- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) acquisition, integration and other costs. Other expenses includes TSA fees.

Adjusted earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance.

The tax impact of the adjustments mentioned above are calculated net of the U.S. or foreign statutory tax rate, which could differ from the Company's effective tax rate. Additionally, the provision for income tax (expense) benefit also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the years ended December 31, 2018, 2017 and 2016 and at December 31, 2018 and 2017. The segment accounting policies are the same as those used to prepare the Company's consolidated financial statements, except for adjusted earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in the Company's business.

The Company's economic capital model, coupled with considerations of local capital requirements, aligns segment allocated equity with emerging standards and consistent risk principles. The model applies statistics-based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principles include calibrating required economic capital shock factors to a specific confidence level and time horizon while applying an industry standard method for the inclusion of diversification benefits among risk types. The Company's management is responsible for the ongoing production and enhancement of the economic capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards.

Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact the Company's consolidated net investment income, income (loss) from continuing operations, net of income tax, or adjusted earnings.

Net investment income is based upon the actual results of each segment's specifically identifiable investment portfolios adjusted for allocated equity. Other costs are allocated to each of the segments based upon: (i) a review of the nature of such costs; (ii) time studies analyzing the amount of employee compensation costs incurred by each segment; and (iii) cost estimates included in the Company's product pricing.

209

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
2. Segment Information (continued)

| Year Ended December 31, 2018 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | | | |
| Revenues | | | | | | | | | |
| Premiums | $28,186 | $6,766 | $2,760 | $2,131 | $3,879 | $118 | $43,840 | $ — | $43,840 |
| Universal life and investment-type product policy fees | 1,053 | 1,630 | 1,050 | 431 | 1,218 | — | 5,382 | 120 | 5,502 |
| Net investment income | 6,977 | 3,317 | 1,239 | 293 | 5,379 | 178 | 17,383 | (1,217) | 16,166 |
| Other revenues | 821 | 51 | 35 | 66 | 250 | 333 | 1,556 | 324 | 1,880 |
| Net investment gains (losses) | — | — | — | — | — | — | — | (298) | (298) |
| Net derivative gains (losses) | — | — | — | — | — | — | — | 851 | 851 |
| Total revenues | 37,037 | 11,764 | 5,084 | 2,921 | 10,726 | 629 | 68,161 | (220) | 67,941 |
| Expenses | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 27,765 | 5,326 | 2,602 | 1,127 | 6,833 | 80 | 43,733 | 174 | 43,907 |
| Interest credited to policyholder account balances | 1,790 | 1,465 | 394 | 100 | 944 | — | 4,693 | (680) | 4,013 |
| Capitalization of DAC | (449) | (1,915) | (377) | (468) | (36) | (8) | (3,253) | (1) | (3,254) |
| Amortization of DAC and VOBA | 477 | 1,302 | 209 | 434 | 332 | 6 | 2,760 | 215 | 2,975 |
| Amortization of negative VOBA | — | (39) | (1) | (15) | — | — | (55) | (1) | (56) |
| Interest expense on debt | 12 | — | 6 | — | 9 | 1,032 | 1,059 | 63 | 1,122 |
| Other expenses | 3,902 | 3,840 | 1,421 | 1,378 | 1,081 | 907 | 12,529 | 398 | 12,927 |
| Total expenses | 33,497 | 9,979 | 4,254 | 2,556 | 9,163 | 2,017 | 61,466 | 168 | 61,634 |
| Provision for income tax expense (benefit) | 736 | 548 | 238 | 88 | 308 | (825) | 1,093 | 86 | 1,179 |
| Adjusted earnings | $2,804 | $1,237 | $592 | $277 | $1,255 | $(563) | 5,602 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (220) | | |
| Total expenses | | | | | | | (168) | | |
| Provision for income tax (expense) benefit | | | | | | | (86) | | |
| Income (loss) from continuing operations, net of income tax | | | | | | | $5,128 | | $5,128 |

| At December 31, 2018 | U.S. | Asia (1) | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total |
|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | |
| Total assets | $248,174 | $146,278 | $70,417 | $27,829 | $166,872 | $27,968 | $687,538 |
| Separate account assets | $71,436 | $8,849 | $47,757 | $5,306 | $42,208 | $— | $175,556 |
| Separate account liabilities | $71,436 | $8,849 | $47,757 | $5,306 | $42,208 | $— | $175,556 |

(1) Total assets includes $120.0 billion of assets from the Japan operations which represents 17% of total consolidated assets.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
2. Segment Information (continued)

| Year Ended December 31, 2017 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | | | |
| Revenues | | | | | | | | | |
| Premiums | $23,632 | $6,755 | $2,693 | $2,061 | $4,144 | $54 | $39,339 | $(347) | $38,992 |
| Universal life and investment-type product policy fees | 1,012 | 1,584 | 1,044 | 405 | 1,361 | 1 | 5,407 | 103 | 5,510 |
| Net investment income | 6,396 | 2,985 | 1,219 | 309 | 5,607 | 28 | 16,544 | 819 | 17,363 |
| Other revenues | 806 | 43 | 32 | 58 | 244 | 271 | 1,454 | (113) | 1,341 |
| Net investment gains (losses) | — | — | — | — | — | — | — | (308) | (308) |
| Net derivative gains (losses) | — | — | — | — | — | — | — | (590) | (590) |
| Total revenues | 31,846 | 11,367 | 4,988 | 2,833 | 11,356 | 354 | 62,744 | (436) | 62,308 |
| Expenses | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 23,627 | 5,075 | 2,535 | 1,077 | 7,000 | 26 | 39,340 | 204 | 39,544 |
| Interest credited to policyholder account balances | 1,474 | 1,351 | 369 | 100 | 1,018 | 1 | 4,313 | 1,294 | 5,607 |
| Capitalization of DAC | (458) | (1,710) | (364) | (414) | (82) | (8) | (3,036) | 34 | (3,002) |
| Amortization of DAC and VOBA | 459 | 1,300 | 224 | 357 | 302 | 6 | 2,648 | 33 | 2,681 |
| Amortization of negative VOBA | — | (111) | (1) | (19) | — | — | (131) | (9) | (140) |
| Interest expense on debt | 11 | — | 5 | — | 24 | 1,105 | 1,145 | (16) | 1,129 |
| Other expenses | 3,682 | 3,613 | 1,479 | 1,376 | 1,365 | 894 | 12,409 | 544 | 12,953 |
| Total expenses | 28,795 | 9,518 | 4,247 | 2,477 | 9,627 | 2,024 | 56,688 | 2,084 | 58,772 |
| Provision for income tax expense (benefit) | 1,024 | 620 | 156 | 59 | 547 | (688) | 1,718 | (3,188) | (1,470) |
| Adjusted earnings | $2,027 | $1,229 | $585 | $297 | $1,182 | $(982) | 4,338 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (436) | | |
| Total expenses | | | | | | | (2,084) | | |
| Provision for income tax (expense) benefit | | | | | | | 3,188 | | |
| Income (loss) from continuing operations, net of income tax | | | | | | | $5,006 | | $5,006 |

| At December 31, 2017 | U.S. | Asia (1) | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total |
|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | |
| Total assets | $255,428 | $136,928 | $79,670 | $30,500 | $183,160 | $34,206 | $719,892 |
| Separate account assets | $81,243 | $10,032 | $56,218 | $5,975 | $51,533 | $— | $205,001 |
| Separate account liabilities | $81,243 | $10,032 | $56,218 | $5,975 | $51,533 | $— | $205,001 |

(1)

Total assets includes $111.0 billion of assets from the Japan operations which represents 15% of total consolidated assets.

211

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
2. Segment Information (continued)

| Year Ended December 31, 2016 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | | | |
| Revenues | | | | | | | | | |
| Premiums | $21,501 | $6,902 | $2,529 | $2,027 | $4,506 | $40 | $37,505 | $(303) | $37,202 |
| Universal life and investment-type product policy fees | 989 | 1,488 | 1,025 | 391 | 1,436 | 2 | 5,331 | 152 | 5,483 |
| Net investment income | 6,206 | 2,707 | 1,084 | 318 | 5,944 | 178 | 16,437 | 353 | 16,790 |
| Other revenues | 784 | 61 | 34 | 73 | 581 | 110 | 1,643 | 42 | 1,685 |
| Net investment gains (losses) | — | — | — | — | — | — | — | 317 | 317 |
| Net derivative gains (losses) | — | — | — | — | — | — | — | (690) | (690) |
| Total revenues | 29,480 | 11,158 | 4,672 | 2,809 | 12,467 | 330 | 60,916 | (129) | 60,787 |
| Expenses | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 21,591 | 5,211 | 2,443 | 1,067 | 7,523 | 41 | 37,876 | (295) | 37,581 |
| Interest credited to policyholder account balances | 1,302 | 1,298 | 328 | 112 | 1,042 | 6 | 4,088 | 1,088 | 5,176 |
| Capitalization of DAC | (471) | (1,668) | (321) | (403) | (281) | (7) | (3,151) | (1) | (3,152) |
| Amortization of DAC and VOBA | 471 | 1,236 | 184 | 408 | 736 | 8 | 3,043 | (325) | 2,718 |
| Amortization of negative VOBA | — | (208) | (1) | (13) | — | — | (222) | (47) | (269) |
| Interest expense on debt | 9 | — | 2 | — | 57 | 1,139 | 1,207 | (50) | 1,157 |
| Other expenses | 3,706 | 3,586 | 1,336 | 1,323 | 2,392 | 597 | 12,940 | 355 | 13,295 |
| Total expenses | 26,608 | 9,455 | 3,971 | 2,494 | 11,469 | 1,784 | 55,781 | 725 | 56,506 |
| Provision for income tax expense (benefit) | 976 | 479 | 158 | 42 | 292 | (948) | 999 | (306) | 693 |
| Adjusted earnings | $1,896 | $1,224 | $543 | $273 | $706 | $(506) | 4,136 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (129) | | |
| Total expenses | | | | | | | (725) | | |
| Provision for income tax (expense) benefit | | | | | | | 306 | | |
| Income (loss) from continuing operations, net of income tax | | | | | | | $3,588 | | $3,588 |

212

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
2. Segment Information (continued)

The following table presents total premiums, universal life and investment-type product policy fees and other revenues by major product groups of the Company's segments, as well as Corporate & Other:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Life insurance | $20,550 | $20,330 | $20,436 |
| Accident & health insurance | 14,489 | 14,002 | 14,128 |
| Annuities | 10,990 | 6,999 | 5,552 |
| Property and casualty insurance | 3,651 | 3,613 | 3,560 |
| Other | 1,542 | 899 | 694 |
| Total | $51,222 | $45,843 | $44,370 |

The following table presents total premiums, universal life and investment-type product policy fees and other revenues associated with the Company's U.S. and foreign operations:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| U.S. | $36,078 | $30,971 | $29,166 |
| Foreign: | | | |
| Japan | 6,435 | 6,444 | 7,089 |
| Other | 8,709 | 8,428 | 8,115 |
| Total | $51,222 | $45,843 | $44,370 |

Revenues derived from one U.S. segment customer were $6.0 billion for the year ended December 31, 2018, which represented 12% of consolidated premiums, universal life and investment-type product policy fees and other revenues. The revenue was from a single premium received for a pension risk transfer. Revenues derived from any other customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the years ended December 31, 2018, 2017 and 2016.

3. Dispositions

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

In October 2017, the Company entered into a definitive agreement to sell MetLife Afore, S.A. de C.V. ("MetLife Afore"), its pension fund management business in Mexico. As a result of the agreement, a loss of $98 million ($73 million, net of income tax), which includes a reduction to goodwill of $16 million, was recorded for the year ended December 31, 2017 and is reflected within net investment gains (losses).

At December 31, 2017, MetLife Afore reported $3.9 billion and $3.7 billion of total assets and total liabilities, respectively, which primarily consisted of $3.7 billion of separate account assets and liabilities. MetLife Afore's results of operations are included in continuing operations and are reported in the Latin America segment. The transaction closed on February 20, 2018.

Separation of Brighthouse

2018 Sale of FVO Brighthouse Common Stock

In June 2018, the Company sold FVO Brighthouse Common Stock in exchange for $944 million aggregate principal amount of MetLife, Inc. senior notes, which MetLife, Inc. canceled. The Company recorded $327 million of mark-to-market and disposition losses on the FVO Brighthouse Common Stock to net investment gains (losses) for the year ended December 31, 2018. At December 31, 2018, the Company no longer held any shares of Brighthouse Financial, Inc. for its own account; however, certain insurance company separate accounts managed by the Company held shares of Brighthouse Financial, Inc. See Note 12 for further information on this transaction.

213

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
3. Dispositions (continued)

2017 Separation of Brighthouse
In January 2016, MetLife, Inc. announced its plan to separate a substantial portion of its former Retail segment, as well as certain portions of its former Corporate Benefit Funding segment and Corporate & Other. MetLife, Inc. subsequently re-segmented the business to be separated and rebranded it as “Brighthouse Financial.” On July 6, 2017, MetLife, Inc. announced that the U.S. Securities and Exchange Commission (“SEC”) declared Brighthouse Financial, Inc.’s registration statement on Form 10 effective. Additionally, all required state regulatory approvals were granted. On August 4, 2017, MetLife, Inc. completed the Separation. MetLife, Inc. common shareholders received a distribution of one share of Brighthouse Financial, Inc. common stock for every 11 shares of MetLife, Inc. common stock they owned as of 5:00 p.m., New York City time, on the July 19, 2017 record date. Shareholders of MetLife, Inc. who owned less than 11 shares of common stock, or others who would have otherwise received fractional shares, received cash. MetLife, Inc. distributed 96,776,670 of the 119,773,106 shares of Brighthouse Financial, Inc. common stock outstanding, representing approximately 80.8% of those shares. Certain MetLife affiliates hold MetLife, Inc. common stock and, as a result, participated in the distribution.
MetLife, Inc. retained the remaining ownership interest of 22,996,436 shares, or 19.2%, of Brighthouse Financial, Inc. common stock outstanding and recognized its investment in Brighthouse Financial, Inc. common stock based on the NASDAQ reported market price. The Company elected to record the investment under the FVO as an observable measure of estimated fair value that was aligned with the Company’s intent to divest of the retained shares as soon as practicable. Subsequent changes in estimated fair value of the investment were recorded to net investment gains (losses). FVO Brighthouse Common Stock at December 31, 2017 was $1.3 billion reported within FVO Securities. The Company recorded a $1,016 million mark-to-market loss on its retained investment in Brighthouse Financial, Inc. to net investment gains (losses) at the Separation date and an additional $95 million loss to net investment gains (losses) for the change in Brighthouse Financial, Inc.’s common stock share price from the Separation date to December 31, 2017.
The loss recognized in 2017 in connection with the Separation was $1,302 million, net of income tax, which included: (i) a $1,016 million loss on MetLife’s retained investment in Brighthouse Financial, Inc., (ii) a $42 million net tax charge and (iii) a $306 million charge, net of income tax, for transaction costs, partially offset by a $61 million gain, net of income tax, for previously deferred intercompany gains realized upon Separation. The $42 million net tax charge is comprised of a $1,093 million tax separation agreement charge offset by $1,051 million of Separation tax benefits. Of the $1,302 million total loss, net of income tax, a $131 million loss, net of income tax, was reported within continuing operations as (i) a $693 million net investment loss, (ii) a $147 million charge within policyholder benefits and claims, (iii) a $218 million charge within other expenses, and (iv) a $927 million income tax benefit. The remaining $1,171 million loss was reported within discontinued operations, which primarily includes a tax-related charge.
The Company incurred pre-tax Separation-related transaction costs of $470 million for the year ended December 31, 2017, primarily related to fees for the terminations of financing arrangements and professional services. The Company incurred pre-tax Separation-related transaction costs of $212 million for the year ended December 31, 2016 primarily related to professional services. For the year ended December 31, 2017, the Company reported $333 million within discontinued operations for fees for the terminations of financing arrangements and costs required to complete the Separation. All other Separation-related transaction costs are recorded in other expenses and reported within continuing operations.
In 2016, the Company recorded a non-cash charge of $260 million ($223 million, net of income tax) for the impairment of Brighthouse goodwill included in discontinued operations. As of the Separation date, the Company evaluated the assets of Brighthouse for potential impairment, and determined that no additional impairment charge was required.
In connection with the Separation, MetLife, Inc. terminated various support agreements with Brighthouse.

Table of Contents


Agreements
In connection with the Separation, MetLife and Brighthouse entered into various agreements. The significant agreements were as follows:
Master Separation Agreement
MetLife entered into a master separation agreement with Brighthouse prior to the completion of the distribution. The master separation agreement sets forth agreements with Brighthouse relating to the ownership of certain assets and the allocation of certain liabilities in connection with the Separation. It also sets forth other agreements governing the relationship with Brighthouse after the distribution, including certain payment obligations between the parties.
Tax Agreements
Immediately prior to the Separation, MetLife entered into a tax separation agreement with Brighthouse. Among other things, the tax separation agreement governs the allocation between MetLife and Brighthouse of the responsibility for the taxes of the MetLife group. The tax separation agreement also allocates rights, obligations and responsibilities in connection with certain administrative matters relating to the preparation of tax returns and control of tax audits and other proceedings relating to taxes. For the taxable periods prior to Separation, MetLife and Brighthouse have joint and several liability for the MetLife consolidated U.S. federal income tax returns' current taxes (and the benefits of tax attributes such as losses) allocated to Brighthouse. The tax separation agreement provides that the Brighthouse allocation of taxes could vary depending upon the outcome of Internal Revenue Service ("IRS") examinations. Upon Separation, MetLife, Inc. recorded a current income tax receivable of $1.4 billion and a corresponding payable to Brighthouse reported in other liabilities. In October 2017, in accordance with the tax separation agreement, $729 million of this amount was paid by MetLife, Inc. to Brighthouse. Accordingly, at December 31, 2017, the Company's current income tax receivable and corresponding payable to Brighthouse, reported in other liabilities, was $726 million. In 2018, as a result of filing its U.S. tax return, the Company increased its current income tax receivable and corresponding payable to Brighthouse by $183 million. The adjusted payable of $909 million was settled in 2018 in accordance with the tax separation agreement. In addition, at December 31, 2018, the Company also reported a receivable from Brighthouse of $111 million in other assets, offset by a tax payable of $111 million, of which $68 million was reported in current income tax payable and $43 million was reported in other liabilities. These amounts represent Brighthouse uncertain tax items and audit adjustments while it was a member of the Company's U.S. consolidated tax return.
As part of the tax separation agreement, MetLife, Inc. is liable for the U.S. federal income tax cost of a discrete Separation related tax charge incurred by Brighthouse. The income tax charge arises from the recapture of certain tax benefits incurred prior to Separation, and is caused by the deconsolidation of Brighthouse from the MetLife tax group at Separation. As a result, MetLife, Inc. recorded a decrease to current income tax recoverable and a charge to provision for income tax expense (benefit) of $1,093 million, which was reported in discontinued operations for the Company.
Additionally, MetLife, Inc. has the right to receive future payments from Brighthouse for a tax asset that Brighthouse received as a result of restructuring prior to the Separation. Included in other assets is a receivable from Brighthouse of $330 million and $333 million, at December 31, 2018 and 2017, respectively, related to these future payments, after a reduction in 2017 of $222 million as a result of U.S. Tax Reform.
Transactions Prior to the Separation
Prior to the Separation, the Company completed the following transactions in 2017.
Contributions of Entities, Mergers and Dividend
In April 2017, following receipt of applicable regulatory approvals, MetLife contributed certain captive reinsurance companies to Brighthouse Life Insurance Company ("Brighthouse Insurance"), which were merged into Brighthouse Reinsurance Company of Delaware ("BRCD"), a newly-formed captive reinsurance company that is wholly-owned by Brighthouse Insurance.

In July 2017, MetLife, Inc. contributed the voting common interests of Brighthouse Holdings, LLC, a subsidiary of MetLife, Inc. at that time, to Brighthouse Financial, Inc. Brighthouse Holdings, LLC was at that time an intermediate holding company which owned all of the subsidiaries within Brighthouse.

In August 2017, Brighthouse Financial, Inc. paid a cash dividend to MetLife, Inc. of $1.8 billion in connection with the Separation.

Termination of Financing Arrangements

In April 2017, MetLife, Inc. and MetLife Reinsurance Company of South Carolina ("MRSC") terminated the MRSC collateral financing arrangement associated with secondary guarantees. As a result, the $2.8 billion collateral financing arrangement liability outstanding was extinguished utilizing $2.8 billion of assets held in trust, with the remaining $590 million of assets held in trust returned to MetLife, Inc. as a cash return of capital from a subsidiary. Total fees associated with the termination were $37 million and were reported in discontinued operations.

In April 2017, MetLife, Inc. and MetLife Reinsurance Company of Vermont ("MRV") terminated the $4.3 billion committed facility, and MetLife, Inc. and MRSC terminated the $3.5 billion committed facility. Total fees associated with the terminations were $257 million and were reported in discontinued operations.

See Note 14 for information on the junior subordinated debentures in connection with the Separation.

New Financing Arrangements

In April 2017, BRCD entered into a new financing arrangement with a pool of highly rated third-party reinsurers with a total capacity of $10.0 billion. This financing arrangement consists of credit-linked notes that each have a term of 20 years.

In June 2017, Brighthouse Holdings, LLC issued 50,000 units of 6.50% fixed rate cumulative preferred units to MetLife, Inc. and in turn MetLife, Inc. sold the preferred units to third-party investors, for net proceeds of $49 million.

In June 2017, Brighthouse Financial, Inc. issued $1.5 billion of senior notes due in June 2027 (the "2027 Senior Notes") which bear interest at a fixed rate of 3.70%, payable semi-annually. Also in June 2017, Brighthouse Financial, Inc. issued $1.5 billion of senior notes due in June 2047 (the "2047 Senior Notes," and together with the 2027 Senior Notes, the "Senior Notes") which bear interest at a fixed rate of 4.70%, payable semi-annually. In connection with the issuance of the Senior Notes, MetLife, Inc. had initially guaranteed the Senior Notes on a senior unsecured basis. The guarantee was released, in accordance with its terms, upon Separation.

In June 2017, subsequent to the issuance of the Senior Notes, the borrowing capacity under Brighthouse Financial, Inc.'s three-year senior unsecured delayed draw term loan agreement (the "2016 Term Loan Agreement") was decreased from $3.0 billion to $536 million. On July 21, 2017, concurrently with entering into a new term loan agreement described below, Brighthouse Financial, Inc. terminated the 2016 Term Loan Agreement without penalty.

In July 2017, Brighthouse Financial, Inc. entered into a new $600 million senior unsecured delayed draw term loan agreement (the "2017 Term Loan Agreement"). Under the 2017 Term Loan Agreement, Brighthouse Financial, Inc. may borrow up to a maximum of $600 million which may be used for general corporate purposes, including in connection with the Separation, of which $500 million was available prior to the Separation. The 2017 Term Loan Agreement contains certain covenants that could restrict the operations and use of funds of Brighthouse. On August 2, 2017, Brighthouse Financial, Inc. borrowed $500 million under the 2017 Term Loan Agreement in connection with the Separation.

Ongoing Transactions with Brighthouse

The Company considered all of its continuing involvement with Brighthouse in determining whether to deconsolidate and present Brighthouse results as discontinued operations, including the agreements described above and the ongoing transactions described below.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
3. Dispositions (continued)

The Company entered into reinsurance, committed facility, structured settlement, and contract administrative services transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs. In addition, prior to and in connection with the Separation, the Company entered into various other agreements, including investment management, transition services and employee matters agreements, with Brighthouse for services necessary for both the Company and Brighthouse to conduct their activities. Intercompany transactions prior to the Separation between the Company and Brighthouse are eliminated and excluded from the consolidated statements of operations and consolidated balance sheets. Transactions between the Company and Brighthouse that continue after the Separation are included on the Company's consolidated statements of operations and consolidated balance sheets.
In June 2018, the Company sold FVO Brighthouse Common Stock and as a result the Company no longer considers Brighthouse to be a related party. Therefore, the following discussion of the ongoing transactions with Brighthouse only includes disclosures of related party amounts through June 30, 2018 and at December 31, 2017. However, since the Company considers the reinsurance transactions and the transition service agreement discussed below to have a significant impact on its consolidated statements of operations, it has updated these disclosures through December 31, 2018.
Reinsurance
The Company entered into reinsurance transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs. Information regarding the significant effects of reinsurance transactions with Brighthouse was as follows:

| | Included on Consolidated Statements of Operations | | Excluded from Consolidated Statements of Operations | |
|---|---|---|---|---|
| | Years Ended December 31, | | Years Ended December 31, | |
| | 2018 | 2017 (1) | 2017 (2) | 2016 |
| | (In millions) | | | |
| Premiums | | | | |
| Reinsurance assumed | $401 | $183 | $248 | $462 |
| Reinsurance ceded | (13) | (4) | (7) | (9) |
| Net premiums | $388 | $179 | $241 | $453 |
| Universal life and investment-type product policy fees | | | | |
| Reinsurance assumed | $7 | $(4) | $(6) | $(2) |
| Reinsurance ceded | (96) | (44) | (55) | (102) |
| Net universal life and investment-type product policy fees | $(89) | $(48) | $(61) | $(104) |
| Policyholder benefits and claims | | | | |
| Reinsurance assumed | $328 | $150 | $196 | $385 |
| Reinsurance ceded | (36) | (22) | (16) | (23) |
| Net policyholder benefits and claims | $292 | $128 | $180 | $362 |
| Interest credited to policyholder account balances | | | | |
| Reinsurance assumed | $14 | $6 | $10 | $16 |
| Reinsurance ceded | (71) | (30) | (42) | (75) |

| | | | | |
|---|---|---|---|---|
| Net interest credited to policyholder account balances | $(57 ) | $(24 ) | $(32 ) | $(59 ) |
| Other expenses | | | | |
| Reinsurance assumed | $105 | $39 | $10 | $88 |
| Reinsurance ceded | (29 ) | 7 | (28 ) | (29 ) |
| Net other expenses | $76 | $46 | $(18 ) | $59 |

(1) Includes transactions after the Separation.
(2) Includes transactions prior to the Separation.

Information regarding the related party effects of reinsurance transactions with Brighthouse included on the consolidated balance sheets was as follows at:

| | December 31, 2017 | |
|---|---|---|
| | Assumed | Ceded |
| | (In millions) | |
| Assets | | |
| Premiums, reinsurance and other receivables | $167 | $1,793 |
| Deferred policy acquisition costs and value of business acquired | 384 | (40) |
| Total assets | $551 | $1,753 |
| Liabilities | | |
| Future policy benefits | $1,734 | $— |
| Other policy-related balances | 119 | 28 |
| Other liabilities | 1,458 | 19 |
| Total liabilities | $3,311 | $47 |

Transition Services

In connection with the Separation, the Company entered into a transition services agreement with Brighthouse for services necessary for Brighthouse to conduct its activities. The services are expected to continue up to 36 months after the date of Separation, with certain services potentially to be made available for several years thereafter. For the year ended December 31, 2018, the Company recognized $305 million in other revenues for services provided under such transition services agreement. After the Separation, for the year ended December 31, 2017, the Company recognized $140 million as a reduction to other expenses for transitional services provided under the agreement. Prior to the Separation, for the year ended December 31, 2017, the Company charged Brighthouse $191 million for services provided under the agreement, which were intercompany transactions and eliminated and excluded from the consolidated statements of operations.

Investment Management

In connection with the Separation, the Company entered into investment management services agreements with Brighthouse. Each agreement had an initial term of 18 months after the date of Separation, after which period either party to the agreements was permitted to terminate upon notice to the other party. On February 5, 2019, the Company entered into a new investment management services agreement with Brighthouse that remains in effect until terminated by either party upon notice. After the Separation, for the years ended December 31, 2018 and 2017, the Company recognized related party revenue of $61 million and $48 million in other revenues for services provided under the agreements. Prior to the Separation, for the year ended December 31, 2017, the Company charged Brighthouse $57 million for services provided under the agreements, which were intercompany transactions and eliminated and excluded from the consolidated statements of operations.

Committed Facility

MRV and MetLife, Inc. have a $2.9 billion committed facility which is used as collateral for certain affiliated reinsurance liabilities. At December 31, 2017, Brighthouse was a related party beneficiary of $2.4 billion of letters of credit issued under this committed facility and in consideration Brighthouse reimbursed MetLife, Inc. for a portion of the letter of credit fees. Prior to the Separation, the Company entered into the committed facility with Brighthouse in the normal course of business and such transactions will continue based upon business needs.

See "— Transactions Prior to the Separation — Termination of Financing Arrangements" for additional transactions with Brighthouse.

Other

The Company has existing assumed structured settlement claim obligations as an assignment company for Brighthouse. These liabilities are measured at the present value of the periodic claims to be provided and reported as other policy-related balances. The Company receives a fee for assuming these claim obligations and, as the assignee of the claim, is legally obligated to ensure periodic payments are made to the claimant. The Company purchased annuities from Brighthouse to fund these obligations and designates payments to be made directly to the claimant by Brighthouse as the annuity writer. The aggregate contract values of annuities funding structured settlement claims are recorded as an asset for which the Company has also recorded an unpaid claim obligation reported in other policy-related balances. Such aggregated related party contract values were $1.3 billion at December 31, 2017. The Company entered into these transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs.

The Company provides services necessary for Brighthouse to conduct its business, which primarily include contract administrative services for certain Brighthouse investment-type products. After the Separation, for the years ended December 31, 2018 and 2017, the Company recognized related party revenue of $63 million and $54 million for administrative services provided to Brighthouse. Prior to the Separation, during the year ended December 31, 2017, the Company provided administrative services to Brighthouse for $73 million which were intercompany transactions and eliminated and excluded from the consolidated statements of operations. The Company entered into these transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs.

In connection with the Separation, the Company entered into an employee matters agreement with Brighthouse to allocate obligations and responsibilities relating to employee compensation and benefit plans and other related matters. The employee matters agreement provides that MetLife will reimburse Brighthouse for certain pension benefit payments, retiree health and life benefit payments and deferred compensation payments. Included in other liabilities at December 31, 2017, is a related party payable to Brighthouse of $186 million related to these future payments.

At December 31, 2017, the Company had a related party receivable from Brighthouse of $97 million related to services provided and a related party payable to Brighthouse of $50 million related to services received.

Discontinued Operations

The following table presents the amounts related to the operations and loss on disposal of Brighthouse that have been reflected in discontinued operations:

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
3. Dispositions (continued)

| | For the Years Ended December 31, | |
|---|---|---|
| | 2017 (1) | 2016 |
| | (In millions) | |
| Revenues | | |
| Premiums | $820 | $1,951 |
| Universal life and investment-type product policy fees | 2,201 | 3,724 |
| Net investment income | 1,783 | 3,157 |
| Other revenues | 150 | 74 |
| Total net investment gains (losses) | (48 ) | (140 ) |
| Net derivative gains (losses) | (1,061) | (5,886 ) |
| Total revenues | 3,845 | 2,880 |
| Expenses | | |
| Policyholder benefits and claims | 2,217 | 4,487 |
| Interest credited to policyholder account balances | 620 | 1,107 |
| Policyholder dividends | 16 | 34 |
| Goodwill impairment | — | 260 |
| Other expenses | 853 | 1,333 |
| Total expenses | 3,706 | 7,221 |
| Income (loss) from discontinued operations before provision for income tax and loss on disposal of discontinued operations | 139 | (4,341 ) |
| Provision for income tax expense (benefit) | (46 ) | (1,607 ) |
| Income (loss) from discontinued operations before loss on disposal of discontinued operations, net of income tax | 185 | (2,734 ) |
| Transaction costs associated with the Separation, net of income tax | (216 ) | — |
| Tax charges associated with the Separation | (955 ) | — |
| Income (loss) on disposal of discontinued operations, net of income tax | (1,171) | — |
| Income (loss) from discontinued operations, net of income tax | $(986) | $(2,734) |

(1) Includes transactions prior to the Separation.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
3. Dispositions (continued)

In the consolidated statements of cash flows, the cash flows from discontinued operations are not separately classified. The following table presents selected financial information regarding cash flows of the discontinued operations.

| | For the Years Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| Net cash provided by (used in): | | |
| Operating activities | $1,329 | $3,697 |
| Investing activities | $(2,732) | $4,674 |
| Financing activities | $(367) | $(4,715) |

U.S. Retail Advisor Force Divestiture

In July 2016, MetLife, Inc. completed the sale to Massachusetts Mutual Life Insurance Company (“MassMutual”) of its U.S. retail advisor force and certain assets associated with the MetLife Premier Client Group, including all of the issued and outstanding shares of MetLife’s affiliated broker-dealer, MetLife Securities, Inc., a wholly-owned subsidiary of MetLife, Inc. (collectively, the “U.S. Retail Advisor Force Divestiture”) for $291 million. MassMutual assumed all of the liabilities related to such assets that arise or occur after the closing of the sale. The Company recorded a gain of $103 million ($58 million, net of income tax), in net investment gains (losses) for the year ended December 31, 2016. See Notes 10 and 17 for discussion of certain charges related to the sale.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)

4. Insurance
Insurance Liabilities
Insurance liabilities are comprised of future policy benefits, policyholder account balances and other policy-related balances. Information regarding insurance liabilities by segment, as well as Corporate & Other, was as follows at:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| U.S. | $141,641 | $136,065 |
| Asia | 108,456 | 99,404 |
| Latin America | 16,131 | 16,758 |
| EMEA | 17,069 | 19,579 |
| MetLife Holdings | 102,371 | 103,372 |
| Corporate & Other | 1,334 | 829 |
| Total | $387,002 | $376,007 |

Future policy benefits are measured as follows:

| Product Type: | Measurement Assumptions: |
|---|---|
| Participating life | Aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 3% to 7% for U.S. business and less than 1% to 14% for non-U.S. business and mortality rates guaranteed in calculating the cash surrender values described in such contracts); and (ii) the liability for terminal dividends for U.S. business. |
| Nonparticipating life | Aggregate of the present value of future expected benefit payments and related expenses less the present value of future expected net premiums. Assumptions as to mortality and persistency are based upon the Company’s experience when the basis of the liability is established. Interest rate assumptions for the aggregate future policy benefit liabilities range from 2% to 11% for U.S. business and less than 1% to 13% for non-U.S. business. |
| Individual and group traditional fixed annuities after annuitization | Present value of future expected payments. Interest rate assumptions used in establishing such liabilities range from 1% to 11% for U.S. business and less than 1% to 11% for non-U.S. business. |
| Non-medical health insurance | The net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. Interest rate assumptions used in establishing such liabilities range from 1% to 7% (primarily related to U.S. business). |
| Disabled lives | Present value of benefits method and experience assumptions as to claim terminations, expenses and interest. Interest rate assumptions used in establishing such liabilities range from 2% to 8% for U.S. business and less than 1% to 9% for non-U.S. business. |
| Property and casualty insurance | The amount estimated for claims that have been reported but not settled and claims incurred but not reported are based upon the Company’s historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation. |

Participating business represented 3% of the Company’s life insurance in-force at both December 31, 2018 and 2017. Participating policies represented 14%, 15% and 16% of gross traditional life insurance premiums for the years ended December 31, 2018, 2017 and 2016, respectively.
Policyholder account balances are equal to: (i) policy account values, which consist of an accumulation of gross premium payments and investment performance; (ii) credited interest, ranging from less than 1% to 13% for U.S. business and less than 1% to 15% for non-U.S. business, less expenses, mortality charges and withdrawals; and (iii) fair value adjustments relating to business combinations.

222

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Guarantees

The Company issues directly and assumes through reinsurance variable annuity products with guaranteed minimum benefits. GMABs, the non-life contingent portion of GMWBs and certain non-life contingent portions of GMIBs are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 9.

Guarantees accounted for as insurance liabilities include:

| Guarantee: | | Measurement Assumptions: |
|---|---|---|
| GMDBs | • A return of purchase payment upon death even if the account value is reduced to zero. | • Present value of expected death benefits in excess of the projected account balance recognizing the excess ratably over the accumulation period based on the present value of total expected assessments. |
| | • An enhanced death benefit may be available for an additional fee. | • Assumptions are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk. |
| | | • Investment performance and volatility assumptions are consistent with the historical experience of the appropriate underlying equity index, such as the S&P 500 Index. |
| | | • Benefit assumptions are based on the average benefits payable over a range of scenarios. |
| GMIBs | • After a specified period of time determined at the time of issuance of the variable annuity contract, a minimum accumulation of purchase payments, even if the account value is reduced to zero, that can be annuitized to receive a monthly income stream that is not less than a specified amount. | • Present value of expected income benefits in excess of the projected account balance at any future date of annuitization and recognizing the excess ratably over the accumulation period based on present value of total expected assessments. |
| | • Certain contracts also provide for a guaranteed lump sum return of purchase premium in lieu of the annuitization benefit. | • Assumptions are consistent with those used for estimating GMDB liabilities. |
| | | • Calculation incorporates an assumption for the percentage of the potential annuitizations that may be elected by the contractholder. |
| GMWBs | • A return of purchase payment via partial withdrawals, even if the account value is reduced to zero, provided that cumulative withdrawals in a contract year do not exceed a certain limit. | • Expected value of the life contingent payments and expected assessments using assumptions consistent with those used for estimating the GMDB liabilities. |
| | • Certain contracts include guaranteed withdrawals that are life contingent. | |

The Company also issues other annuity contracts that apply a lower rate on funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize. These guarantees include benefits that are payable in the event of death, maturity or at annuitization. Certain other annuity contracts contain guaranteed annuitization benefits that may be above what would be provided by the current account value of the contract. Additionally, the Company issues universal and variable life contracts where the Company contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid-up benefit.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Information regarding the liabilities for guarantees (excluding base policy liabilities and embedded derivatives) relating to annuity and universal and variable life contracts was as follows:

| | Annuity Contracts | | Universal and Variable Life Contracts | | |
|---|---|---|---|---|---|
| | GMDBs and GMWBs | GMIBs | Secondary Guarantees | Paid-Up Guarantees | Total |
| | (In millions) | | | | |
| Direct and Assumed: | | | | | |
| Balance at January 1, 2016 | $364 | $524 | $2,726 | $306 | $3,920 |
| Incurred guaranteed benefits (1) | 102 | 78 | 291 | 25 | 496 |
| Paid guaranteed benefits | (15) | (1) | (28) | — | (44) |
| Balance at December 31, 2016 | 451 | 601 | 2,989 | 331 | 4,372 |
| Incurred guaranteed benefits (1) | 91 | 121 | 233 | 16 | 461 |
| Paid guaranteed benefits | (14) | (2) | (34) | — | (50) |
| Balance at December 31, 2017 | 528 | 720 | 3,188 | 347 | 4,783 |
| Incurred guaranteed benefits (1) | (78) | 178 | 291 | 12 | 403 |
| Paid guaranteed benefits | (22) | — | (37) | — | (59) |
| Balance at December 31, 2018 | $428 | $898 | $3,442 | $359 | $5,127 |
| Ceded: | | | | | |
| Balance at January 1, 2016 | $19 | $6 | $218 | $214 | $457 |
| Incurred guaranteed benefits | — | (1) | (27) | 17 | (11) |
| Paid guaranteed benefits | 5 | — | — | — | 5 |
| Balance at December 31, 2016 | 24 | 5 | 191 | 231 | 451 |
| Incurred guaranteed benefits | 4 | 1 | 50 | 11 | 66 |
| Paid guaranteed benefits | 6 | — | — | — | 6 |
| Balance at December 31, 2017 | 34 | 6 | 241 | 242 | 523 |
| Incurred guaranteed benefits | (38) | 4 | 28 | 9 | 3 |
| Paid guaranteed benefits | 4 | — | — | — | 4 |
| Balance at December 31, 2018 | $— | $10 | $269 | $251 | $530 |
| Net: | | | | | |
| Balance at January 1, 2016 | $345 | $518 | $2,508 | $92 | $3,463 |
| Incurred guaranteed benefits | 102 | 79 | 318 | 8 | 507 |
| Paid guaranteed benefits | (20) | (1) | (28) | — | (49) |
| Balance at December 31, 2016 | 427 | 596 | 2,798 | 100 | 3,921 |
| Incurred guaranteed benefits | 87 | 120 | 183 | 5 | 395 |
| Paid guaranteed benefits | (20) | (2) | (34) | — | (56) |
| Balance at December 31, 2017 | 494 | 714 | 2,947 | 105 | 4,260 |
| Incurred guaranteed benefits | (40) | 174 | 263 | 3 | 400 |
| Paid guaranteed benefits | (26) | — | (37) | — | (63) |
| Balance at December 31, 2018 | $428 | $888 | $3,173 | $108 | $4,597 |

(1) Secondary guarantees include the effects of foreign currency translation of $62 million, $78 million and $119 million at December 31, 2018, 2017 and 2016, respectively.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Information regarding the Company's guarantee exposure, which includes direct and assumed business, but excludes offsets from hedging or ceded reinsurance, if any, was as follows at:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | In the Event of Death | At Annuitization | In the Event of Death | At Annuitization |
| | (Dollars in millions) | | | |
| Annuity Contracts: | | | | |
| Variable Annuity Guarantees: | | | | |
| Total account value (1), (2), (3) | $56,235 | $ 21,628 | $66,724 | $ 26,223 |
| Separate account value (1) | $37,342 | $ 19,839 | $45,431 | $ 24,336 |
| Net amount at risk (2) | $2,768 (4) | $ 483 (5) | $1,238 (4) | $ 525 (5) |
| Average attained age of contractholders | 66 years | 65 years | 65 years | 65 years |
| Other Annuity Guarantees: | | | | |
| Total account value (1), (3) | N/A | $ 1,272 | N/A | $ 1,424 |
| Net amount at risk | N/A | $ 489 (6) | N/A | $ 569 (6) |
| Average attained age of contractholders | N/A | 50 years | N/A | 50 years |

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Secondary Guarantees | Paid-Up Guarantees | Secondary Guarantees | Paid-Up Guarantees |
| | (Dollars in millions) | | | |
| Universal and Variable Life Contracts: | | | | |
| Total account value (1), (3) | $8,943 | $ 3,070 | $9,036 | $ 3,207 |
| Net amount at risk (7) | $64,154 | $ 15,539 | $66,956 | $ 16,615 |
| Average attained age of policyholders | 57 years | 64 years | 56 years | 63 years |

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(1) The Company's annuity and life contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed above may not be mutually exclusive.

(2) Includes amounts, which are not reported on the consolidated balance sheets, from assumed variable annuity guarantees from the Company's former operating joint venture in Japan.

(3) Includes the contractholder's investments in the general account and separate account, if applicable.

(4) Defined as the death benefit less the total account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date and includes any additional contractual claims associated with riders purchased to assist with covering income taxes payable upon death.

(5) Defined as the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company's potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date, even though the contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which not all contractholders have achieved.

(6) Defined as either the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date or the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. These amounts represent the Company's potential economic exposure to such guarantees in the

event all contractholders were to annuitize on the balance sheet date.

225

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

(7) Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.

Account balances of contracts with guarantees were invested in separate account asset classes as follows at:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Fund Groupings: | | |
| Equity | $19,579 | $23,213 |
| Balanced | 17,073 | 20,859 |
| Bond | 5,299 | 5,983 |
| Money Market | 277 | 252 |
| Total | $42,228 | $50,307 |

Obligations Under Funding Agreements

The Company issues fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to certain unconsolidated special purpose entities ("SPEs") that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the years ended December 31, 2018, 2017 and 2016, the Company issued $41.8 billion, $42.7 billion and $39.7 billion, respectively, and repaid $43.7 billion, $41.4 billion and $38.5 billion, respectively, of such funding agreements. At December 31, 2018 and 2017, liabilities for funding agreements outstanding, which are included in policyholder account balances, were $32.3 billion and $34.2 billion, respectively.

Certain of the Company's subsidiaries are members of FHLBanks. Holdings of common stock of FHLBanks, included in other invested assets, were as follows at:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| FHLB of New York | $ 724 | $ 733 |
| FHLB of Des Moines | $ 17 | $ 35 |
| FHLB of Pittsburgh | $ 19 | $ 11 |

Such subsidiaries have also entered into funding agreements with FHLBanks and a subsidiary of the Federal Agricultural Mortgage Corporation, a federally chartered instrumentality of the U.S. ("Farmer Mac"). The liability for such funding agreements is included in policyholder account balances. Information related to such funding agreements was as follows at:

| | Liability | | Collateral | | | |
|---|---|---|---|---|---|---|
| | December 31, | | | | | |
| | 2018 | 2017 | 2018 | | 2017 | |
| | (In millions) | | | | | |
| FHLB of New York (1) | $14,245 | $14,445 | $16,557 | (2) | $16,605 | (2) |
| Farmer Mac (3) | $2,550 | $2,550 | $2,639 | | $2,644 | |
| FHLB of Des Moines (1) | $425 | $625 | $709 | (2) | $701 | (2) |
| FHLB of Pittsburgh (1) | $450 | $250 | $590 | (2) | $311 | (2) |

(1) Represents funding agreements issued to the applicable FHLBank in exchange for cash and for which such FHLBank has been granted a lien on certain assets, some of which are in the custody of such FHLBank, including residential mortgage-backed securities ("RMBS"), to collateralize obligations under advances evidenced by funding agreements. The applicable subsidiary of the Company is permitted to withdraw any portion of the collateral in the custody of such FHLBank as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. Upon any event of default by such subsidiary, the applicable FHLBank's recovery on the collateral is limited to the amount of such subsidiary's liability to such FHLBank.

(2) Advances are collateralized by mortgage-backed securities. The amount of collateral presented is at estimated fair value.

(3) Represents funding agreements issued to a subsidiary of Farmer Mac, as well as certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac. The obligations under these funding agreements are secured by a pledge of certain eligible agricultural mortgage loans and may, under certain circumstances, be secured by other qualified collateral. The amount of collateral presented is at carrying value.

Liabilities for Unpaid Claims and Claim Expenses

The following is information about incurred and paid claims development by segment as of December 31, 2018. Such amounts are presented net of reinsurance, and are not discounted. The tables present claims development and cumulative claim payments by incurral year. The development tables are only presented for significant short-duration product liabilities within each segment. Where practical, up to 10 years of history has been provided. In order to eliminate potential fluctuations related to foreign exchange rates, liabilities and payments denominated in a foreign currency have been translated using the 2018 year end spot rates for all periods presented. The information about incurred and paid claims development prior to 2016 is presented as supplementary information.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

U.S.
Group Life - Term

| | Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance | | | | | | | | At December 31, 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | For the Years Ended December 31, (Unaudited) | | | | | | | | | |
| Incurral Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total IBNR Liabilities Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
| | (Dollars in millions) | | | | | | | | | |
| 2011 | $6,318 | $6,290 | $6,293 | $6,269 | $6,287 | $6,295 | $6,294 | $6,295 | $1 | 207,608 |
| 2012 | | 6,503 | 6,579 | 6,569 | 6,546 | 6,568 | 6,569 | 6,569 | 1 | 209,047 |
| 2013 | | | 6,637 | 6,713 | 6,719 | 6,720 | 6,730 | 6,720 | 3 | 211,341 |
| 2014 | | | | 6,986 | 6,919 | 6,913 | 6,910 | 6,914 | 5 | 213,388 |
| 2015 | | | | | 7,040 | 7,015 | 7,014 | 7,021 | 11 | 213,243 |
| 2016 | | | | | | 7,125 | 7,085 | 7,095 | 14 | 210,706 |
| 2017 | | | | | | | 7,432 | 7,418 | 31 | 246,364 |
| 2018 | | | | | | | | 7,757 | 899 | 203,329 |
| Total | | | | | | | | 55,789 | | |
| Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | | | | | | | (53,786) | | |
| All outstanding liabilities for incurral years prior to 2011, net of reinsurance | | | | | | | | 9 | | |
| Total unpaid claims and claim adjustment expenses, net of reinsurance | | | | | | | | $2,012 | | |

| | Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Years Ended December 31, (Unaudited) | | | | | | | |
| Incurral Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| | (In millions) | | | | | | | |
| 2011 | $4,982 | $6,194 | $6,239 | $6,256 | $6,281 | $6,290 | $6,292 | $6,295 |
| 2012 | | 5,132 | 6,472 | 6,518 | 6,532 | 6,558 | 6,565 | 6,566 |
| 2013 | | | 5,216 | 6,614 | 6,664 | 6,678 | 6,711 | 6,715 |
| 2014 | | | | 5,428 | 6,809 | 6,858 | 6,869 | 6,902 |
| 2015 | | | | | 5,524 | 6,913 | 6,958 | 6,974 |
| 2016 | | | | | | 5,582 | 6,980 | 7,034 |
| 2017 | | | | | | | 5,761 | 7,292 |
| 2018 | | | | | | | | 6,008 |
| Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | | | | | | | $53,786 |

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2018:

| | Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Group Life - Term | 78.2% | 20.2% | 0.7% | 0.2% | 0.4% | 0.1% | —% | —% |

228

Table of Contents

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Group Long-Term Disability

| Incurral Year | Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance For the Years Ended December 31, (Unaudited) 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | At December 31, 2018 Total IBNR Liabilities Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
|---|---|---|---|---|---|---|---|---|---|---|
| | (Dollars in millions) | | | | | | | | | |
| 2011 | $955 | $916 | $894 | $914 | $924 | $923 | $918 | $917 | $— | 21,643 |
| 2012 | | 966 | 979 | 980 | 1,014 | 1,034 | 1,037 | 1,021 | — | 20,085 |
| 2013 | | | 1,008 | 1,027 | 1,032 | 1,049 | 1,070 | 1,069 | — | 21,135 |
| 2014 | | | | 1,076 | 1,077 | 1,079 | 1,101 | 1,109 | — | 22,846 |
| 2015 | | | | | 1,082 | 1,105 | 1,093 | 1,100 | — | 21,177 |
| 2016 | | | | | | 1,131 | 1,139 | 1,159 | 6 | 17,897 |
| 2017 | | | | | | | 1,244 | 1,202 | 29 | 15,968 |
| 2018 | | | | | | | | 1,240 | 621 | 8,208 |
| Total | | | | | | | | 8,817 | | |
| Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | | | | | | | (3,815 ) | | |
| All outstanding liabilities for incurral years prior to 2011, net of reinsurance | | | | | | | | 2,110 | | |
| Total unpaid claims and claim adjustment expenses, net of reinsurance | | | | | | | | $7,112 | | |

| Incurral Year | Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31, (Unaudited) 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | | |
| 2011 | $44 | $217 | $337 | $411 | $478 | $537 | $588 | $635 |
| 2012 | | 43 | 229 | 365 | 453 | 524 | 591 | 648 |
| 2013 | | | 43 | 234 | 382 | 475 | 551 | 622 |
| 2014 | | | | 51 | 266 | 428 | 526 | 609 |
| 2015 | | | | | 50 | 264 | 427 | 524 |
| 2016 | | | | | | 49 | 267 | 433 |
| 2017 | | | | | | | 56 | 290 |
| 2018 | | | | | | | | 54 |
| Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | | | | | | | $3,815 |

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2018:

| | Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Group Long-Term Disability | 4.4% | 18.9% | 14.0% | 8.6% | 7.2% | 6.5% | 5.6% | 5.1% |

229

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Significant Methodologies and Assumptions

Group Life - Term and Group Long-Term Disability incurred but not paid ("IBNP") liabilities are developed using a combination of loss ratio and development methods. Claims in the course of settlement are then subtracted from the IBNP liabilities, resulting in the IBNR liabilities. The loss ratio method is used in the period in which the claims are neither sufficient nor credible. In developing the loss ratios, any material rate increases that could change the underlying premium without affecting the estimated incurred losses are taken into account. For periods where sufficient and credible claim data exists, the development method is used based on the claim triangles which categorize claims according to both the period in which they were incurred and the period in which they were paid, adjudicated or reported. The end result is a triangle of known data that is used to develop known completion ratios and factors. Claims paid are then subtracted from the estimated ultimate incurred claims to calculate the IBNP liability.

An expense liability is held for the future expenses associated with the payment of incurred but not yet paid claims (IBNR and pending). This is expressed as a percentage of the underlying claims liability and is based on past experience and the anticipated future expense structure.

For Group Life - Term and Group Long-Term Disability, first year incurred claims and allocated loss adjustment expenses increased in 2018 compared to the 2017 incurral year due to the growth in the size of the business.

There were no significant changes in methodologies during 2018. The assumptions used in calculating the unpaid claims and claim adjustment expenses for Group Life - Term and Group Long-Term Disability are updated annually to reflect emerging trends in claim experience.

No additional premiums or return premiums have been accrued as a result of the prior year development.

Liabilities for Group Life - Term unpaid claims and claim adjustment expenses are not discounted.

The liabilities for Group Long-Term Disability unpaid claims and claim adjustment expenses were \$6.0 billion at both December 31, 2018 and 2017. Using interest rates ranging from 3% to 8%, based on the incurral year, the total discount applied to these liabilities was \$1.3 billion at both December 31, 2018 and 2017. The amount of interest accretion recognized was \$509 million, \$510 million and \$565 million for the years ended December 31, 2018, 2017 and 2016, respectively. These amounts were reflected in policyholder benefits and claims.

For Group Life - Term, claims were based upon individual death claims. For Group Long-Term Disability, claim frequency was determined by the number of reported claims as identified by a unique claim number assigned to individual claimants. Claim counts initially include claims that do not ultimately result in a liability. These claims are omitted from the claim counts once it is determined that there is no liability.

The Group Long-Term Disability IBNR included in the development tables above was developed using discounted cash flows, and is presented on a discounted basis.

Table of Contents

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Property & Casualty - Auto Liability

| | Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance | | | | | | | | | | At December 31, 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the Years Ended December 31, (Unaudited) | | | | | | | | | | | |
| Incurral Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total IBNR Liabilities Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
| | (Dollars in millions) | | | | | | | | | | | |
| 2009 | $862 | $877 | $853 | $826 | $823 | $817 | $815 | $815 | $814 | $814 | $— | 204,751 |
| 2010 | | 863 | 873 | 853 | 847 | 833 | 826 | 825 | 822 | 823 | — | 204,481 |
| 2011 | | | 863 | 876 | 869 | 855 | 846 | 843 | 843 | 842 | 1 | 204,974 |
| 2012 | | | | 882 | 881 | 869 | 851 | 846 | 847 | 846 | 1 | 199,362 |
| 2013 | | | | | 911 | 900 | 882 | 878 | 876 | 876 | 3 | 204,367 |
| 2014 | | | | | | 897 | 910 | 913 | 910 | 911 | 6 | 207,572 |
| 2015 | | | | | | | 975 | 984 | 979 | 980 | 14 | 212,693 |
| 2016 | | | | | | | | 1,012 | 1,002 | 997 | 36 | 210,627 |
| 2017 | | | | | | | | | 957 | 960 | 64 | 190,601 |
| 2018 | | | | | | | | | | 938 | 166 | 167,521 |
| Total | | | | | | | | | | 8,987 | | |
| Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | | | | | | | | | (7,854 ) | | |
| All outstanding liabilities for incurral years prior to 2009, net of reinsurance | | | | | | | | | | 27 | | |
| Total unpaid claims and claim adjustment expenses, net of reinsurance | | | | | | | | | | $1,160 | | |

| | Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | For the Years Ended December 31, (Unaudited) | | | | | | | | | |
| Incurral Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| | (In millions) | | | | | | | | | |
| 2009 | $321 | $563 | $681 | $755 | $789 | $803 | $810 | $813 | $813 | $814 |
| 2010 | | 319 | 572 | 695 | 762 | 796 | 810 | 816 | 818 | 820 |
| 2011 | | | 324 | 590 | 711 | 777 | 810 | 825 | 831 | 835 |
| 2012 | | | | 333 | 600 | 715 | 783 | 815 | 831 | 840 |
| 2013 | | | | | 346 | 618 | 743 | 809 | 843 | 859 |
| 2014 | | | | | | 352 | 648 | 777 | 844 | 884 |
| 2015 | | | | | | | 384 | 691 | 822 | 903 |
| 2016 | | | | | | | | 396 | 702 | 842 |
| 2017 | | | | | | | | | 379 | 686 |
| 2018 | | | | | | | | | | 371 |

| | |
|---|---|
| Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | $7,854 |

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2018:

| | Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Auto Liability | 39.2% | 31.2% | 14.2% | 8.0% | 4.0% | 1.8% | 0.9% | 0.4% | 0.1% | —% |

231

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Property & Casualty - Home

| | Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance | | | | | | | | | | At December 31, 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the Years Ended December 31, (Unaudited) | | | | | | | | | | | |
| Incurral Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total IBNR Liabilities Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
| | (Dollars in millions) | | | | | | | | | | | |
| 2009 | $506 | $523 | $510 | $507 | $503 | $501 | $498 | $497 | $497 | $497 | $— | 106,620 |
| 2010 | | 573 | 589 | 587 | 584 | 582 | 581 | 580 | 579 | 579 | — | 115,517 |
| 2011 | | | 891 | 868 | 843 | 840 | 835 | 835 | 834 | 833 | — | 166,461 |
| 2012 | | | | 714 | 713 | 703 | 698 | 696 | 694 | 693 | 2 | 146,545 |
| 2013 | | | | | 654 | 652 | 635 | 635 | 634 | 632 | 1 | 107,548 |
| 2014 | | | | | | 707 | 702 | 704 | 705 | 701 | 3 | 113,649 |
| 2015 | | | | | | | 759 | 753 | 752 | 746 | 4 | 107,211 |
| 2016 | | | | | | | | 740 | 743 | 743 | 14 | 107,128 |
| 2017 | | | | | | | | | 747 | 763 | 19 | 115,043 |
| 2018 | | | | | | | | | | 671 | 67 | 91,726 |
| Total | | | | | | | | | | 6,858 | | |
| Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | | | | | | | | | (6,634) | | |
| All outstanding liabilities for incurral years prior to 2009, net of reinsurance | | | | | | | | | | 1 | | |
| Total unpaid claims and claim adjustment expenses, net of reinsurance | | | | | | | | | | $225 | | |

| | Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | For the Years Ended December 31, (Unaudited) | | | | | | | | | |
| Incurral Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| | (In millions) | | | | | | | | | |
| 2009 | $385 | $476 | $486 | $492 | $495 | $495 | $496 | $496 | $496 | $496 |
| 2010 | | 436 | 546 | 562 | 571 | 574 | 577 | 578 | 578 | 579 |
| 2011 | | | 690 | 804 | 819 | 825 | 827 | 830 | 832 | 833 |
| 2012 | | | | 559 | 668 | 681 | 687 | 689 | 690 | 690 |
| 2013 | | | | | 505 | 604 | 618 | 626 | 628 | 629 |
| 2014 | | | | | | 574 | 670 | 685 | 692 | 695 |
| 2015 | | | | | | | 603 | 717 | 731 | 736 |
| 2016 | | | | | | | | 593 | 704 | 720 |
| 2017 | | | | | | | | | 610 | 727 |

| | |
|---|---|
| 2018 | 529 |
| Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | $6,634 |

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2018:

| | Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Home | 79.8% | 15.7% | 2.1% | 1.0% | 0.4% | 0.2% | 0.2% | —% | —% | 0.1% |

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Significant Methodologies and Assumptions

The liability for unpaid claim and claim adjustment expenses for the Property & Casualty business is determined by examining the historical claims and allocated claim adjustment expenses data. This data, which is gross of salvage and subrogation, is classified by incurral year and coverage and includes paid claims data and reported liabilities. For homeowners and auto liability injury claims, the reported liabilities are set by the Company's claims adjusters based on the individual case, and a supplemental liability is added based on the historical development of reported claims. These supplemental liabilities are estimated by coverage based on adjusted report year data triangles to determine the estimated ultimate claim liability. Adjustments are made for settlement rates and average case liabilities. For auto non-injury claims, the Company holds an average statistical liability for every reported claim. This statistical liability is based on an estimated average payment that varies by coverage, report year and state. These average estimated payments are updated monthly.

For all property and casualty coverages, many actuarial methods such as adjusted loss development (adjusted for settlement rates and average case liabilities) and loss ratio methods are employed to develop a best estimate of the IBNR for each coverage type. Similar actuarial methods are used to determine the best estimate of the expected salvage and subrogation; methods that look at recoveries by age and ratios of recoveries to paid loss are compared for each coverage. A liability for unpaid allocated claim adjustment expenses is held for the future claim adjustment costs associated with the payment of incurred but not yet paid claims. This liability is calculated as a percentage of the underlying unpaid claims liability. The percentage is based on historical ratios of essential claim department expenses compared with paid losses.

There were no significant changes in methodologies or assumptions during 2018. The assumptions used in calculating the unpaid claims and claim adjustment expenses for Property & Casualty - Auto Liability and Property & Casualty - Home are updated annually to reflect emerging trends in claim experience.

No additional premiums or return premiums have been accrued as a result of the prior year development.

Liabilities for unpaid claims and claim adjustment expenses were not discounted.

The cumulative number of reported claims for auto liability coverages are counted by individual coverages (i.e. bodily injury and property damage) and, if multiple occupants are injured, then each injury is counted as a separate claim. For home coverages, each exposure is counted separately, so a house fire would, for example, have separate claim counts for the building, the contents, and additional living expenses. Claim counts include claims that do not ultimately result in a liability. Any liability established upon receipt of these claims would subsequently be reversed.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Asia
Group Disability & Group Life

| Incurral Year | Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance For the Years Ended December 31, (Unaudited) | | | | | | | | | At December 31, 2018 Total IBNR Liabilities Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | | |
| | (Dollars in millions) | | | | | | | | | | |
| 2010 | $74 | $70 | $75 | $96 | $96 | $93 | $122 | $130 | $121 | $9 | 2,781 |
| 2011 | | 58 | 61 | 80 | 80 | 84 | 112 | 119 | 116 | 16 | 2,985 |
| 2012 | | | 88 | 94 | 92 | 106 | 107 | 110 | 120 | 18 | 4,434 |
| 2013 | | | | 134 | 135 | 157 | 152 | 151 | 159 | 12 | 5,064 |
| 2014 | | | | | 267 | 251 | 230 | 231 | 242 | 38 | 5,890 |
| 2015 | | | | | | 252 | 240 | 244 | 238 | 50 | 5,606 |
| 2016 | | | | | | | 211 | 214 | 202 | 63 | 3,499 |
| 2017 | | | | | | | | 273 | 254 | 90 | 3,382 |
| 2018 | | | | | | | | | 333 | 178 | 2,122 |
| Total | | | | | | | | | 1,785 | | |
| Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | | | | | | | | (1,223) | | |
| All outstanding liabilities for incurral years prior to 2010, net of reinsurance | | | | | | | | | 16 | | |
| Total unpaid claims and claim adjustment expenses, net of reinsurance | | | | | | | | | $578 | | |

| Incurral Year | Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31, (Unaudited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| | (In millions) | | | | | | | | |
| 2010 | $18 | $36 | $48 | $58 | $71 | $80 | $102 | $108 | $113 |
| 2011 | | 12 | 36 | 49 | 60 | 73 | 92 | 98 | 100 |
| 2012 | | | 27 | 58 | 77 | 89 | 96 | 101 | 102 |
| 2013 | | | | 39 | 89 | 109 | 123 | 134 | 147 |
| 2014 | | | | | 62 | 130 | 162 | 182 | 204 |
| 2015 | | | | | | 73 | 139 | 173 | 187 |
| 2016 | | | | | | | 59 | 122 | 139 |
| 2017 | | | | | | | | 80 | 144 |
| 2018 | | | | | | | | | 87 |

| | |
|---|---|
| Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | $1,223 |

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2018:

| | Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Group Disability & Group Life | 23.9% | 25.2% | 12.2% | 8.9% | 8.9% | 8.8% | 8.3% | 3.9% | 3.8% |

Significant Methodologies and Assumptions

This business line consists of employer sponsored and industry sponsored Group Life and Group Disability risks.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

For Group Life, the IBNR liability is determined by using the Bornhuetter-Ferguson Method, with factors derived by examining the experience of historical claims. A pending liability is also calculated for claims that have been reported but have not been paid. A claim eligibility ratio based on past experience is applied to the face amount of individual claims.

For Group Disability, the IBNR liability is calculated by applying a percentage to premiums in-force based on the expected delay as evidenced by the experience in the portfolio. This is then allocated back into different incurral years based on an assumed run-off. A claims in course of payment liability is also calculated for claims that have been admitted and are in the course of payment. The assumptions employed are based on economic conditions and industry experience, as adjusted for the Company’s own experience.

An expense liability is held for the future expenses associated with the payment of incurred but not yet paid claims. This is expressed as a percentage of the underlying claims liability and is based on past experience and the future expense structure.

There were no significant changes in methodologies during 2018. The assumptions used in calculating the unpaid claims and claim adjustment expenses for Group Disability and Group Life are updated annually to reflect emerging trends in claim experience.

No additional premiums or return premiums have been accrued as a result of the prior year development.

The liabilities for unpaid claims and claim adjustment expenses were $733 million and $756 million at December 31, 2018 and 2017, respectively. These amounts were discounted using interest rates ranging from 3% to 7%, based on the incurral year. The total discount applied to these liabilities was $61 million and $57 million at December 31, 2018 and 2017, respectively. The amount of interest accretion recognized was $19 million, $26 million and $22 million for the years ended December 31, 2018, 2017 and 2016, respectively. These amounts were reflected in policyholder benefits and claims.

The Company tracks claim frequency by the number of reported claims as identified by a unique claim number assigned to individual claimants. Claim counts include claims that do not ultimately result in a liability. A liability is only established for those claims that are expected to result in a liability, based on historical factors.

Latin America
Protection Life

| | Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance | | | | | | | | | | At December 31, 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the Years Ended December 31, (Unaudited) | | | | | | | | | | | |
| Incurral Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total IBNR Liabilities Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
| | (Dollars in millions) | | | | | | | | | | | |
| 2009 | $229 | $309 | $314 | $315 | $315 | $315 | $315 | $315 | $317 | $320 | $— | 30,643 |
| 2010 | | 251 | 323 | 330 | 331 | 331 | 331 | 331 | 332 | 334 | — | 32,102 |
| 2011 | | | 141 | 218 | 224 | 225 | 226 | 226 | 222 | 226 | — | 26,146 |
| 2012 | | | | 150 | 204 | 209 | 210 | 211 | 209 | 211 | — | 26,105 |
| 2013 | | | | | 166 | 232 | 239 | 240 | 239 | 242 | — | 29,581 |
| 2014 | | | | | | 242 | 366 | 377 | 346 | 350 | — | 38,071 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2015 | 316 | 451 | 422 | 428 | 1 | 43,426 |
| 2016 | | 340 | 437 | 448 | 3 | 37,555 |
| 2017 | | | 351 | 345 | 16 | 30,116 |
| 2018 | | | | 328 | 119 | 21,926 |
| Total | | | | 3,232 | | |
| Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | | | (2,933) | | |
| All outstanding liabilities for incurral years prior to 2009, net of reinsurance | | | | 9 | | |
| Total unpaid claims and claim adjustment expenses, net of reinsurance | | | | $308 | | |

235

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

| | Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31, (Unaudited) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Incurral Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| | (In millions) | | | | | | | | | |
| 2009 | $227 | $302 | $306 | $307 | $307 | $307 | $307 | $307 | $311 | $312 |
| 2010 | | 231 | 301 | 308 | 309 | 309 | 309 | 309 | 311 | 312 |
| 2011 | | | 139 | 213 | 220 | 220 | 221 | 221 | 222 | 222 |
| 2012 | | | | 149 | 201 | 206 | 207 | 208 | 207 | 208 |
| 2013 | | | | | 162 | 225 | 230 | 230 | 230 | 232 |
| 2014 | | | | | | 216 | 322 | 327 | 331 | 335 |
| 2015 | | | | | | | 259 | 363 | 386 | 394 |
| 2016 | | | | | | | | 235 | 420 | 440 |
| 2017 | | | | | | | | | 206 | 312 |
| 2018 | | | | | | | | | | 166 |
| Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | | | | | | | | | $2,933 |

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2018:

| | Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Protection Life | 62.4% | 28.4% | 2.7% | 0.7% | 0.2% | 0.1% | 0.2% | 0.3% | 0.7% | 0.3% |

Protection Health

| | Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance For the Years Ended December 31, (Unaudited) | | | | | | | | | | At December 31, 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Incurral Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total IBNR Liabilities Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
| | (Dollars in millions) | | | | | | | | | | | |
| 2009 | $152 | $170 | $172 | $172 | $173 | $173 | $173 | $173 | $175 | $175 | $— | 92,576 |
| 2010 | | 179 | 200 | 201 | 202 | 202 | 202 | 203 | 206 | 206 | — | 96,334 |
| 2011 | | | 215 | 239 | 240 | 241 | 242 | 242 | 239 | 239 | — | 106,023 |
| 2012 | | | | 208 | 233 | 235 | 236 | 236 | 234 | 235 | — | 99,576 |
| 2013 | | | | | 225 | 254 | 255 | 256 | 253 | 253 | — | 103,132 |
| 2014 | | | | | | 233 | 260 | 262 | 260 | 259 | — | 96,296 |
| 2015 | | | | | | | 201 | 228 | 229 | 228 | 1 | 84,767 |
| 2016 | | | | | | | | 263 | 303 | 300 | 2 | 102,167 |

| | | | | |
|---|---|---|---|---|
| 2017 | 381 | 355 | 4 | 113,183 |
| 2018 | | 407 | 30 | 101,992 |
| Total | | 2,657 | | |
| Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | (2,588) | | |
| All outstanding liabilities for incurral years prior to 2009, net of reinsurance | | 4 | | |
| Total unpaid claims and claim adjustment expenses, net of reinsurance | | $73 | | |

236

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

| | Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31, (Unaudited) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Incurral Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| | (In millions) | | | | | | | | | |
| 2009 | $152 | $170 | $172 | $172 | $173 | $173 | $173 | $173 | $175 | $175 |
| 2010 | | 179 | 200 | 201 | 202 | 202 | 202 | 203 | 205 | 206 |
| 2011 | | | 215 | 239 | 240 | 241 | 242 | 242 | 239 | 239 |
| 2012 | | | | 208 | 233 | 235 | 236 | 236 | 235 | 235 |
| 2013 | | | | | 225 | 254 | 255 | 256 | 253 | 253 |
| 2014 | | | | | | 231 | 258 | 260 | 256 | 256 |
| 2015 | | | | | | | 200 | 228 | 227 | 227 |
| 2016 | | | | | | | | 247 | 296 | 298 |
| 2017 | | | | | | | | | 310 | 350 |
| 2018 | | | | | | | | | | 349 |
| Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance | | | | | | | | | | $2,588 |

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2018:

| | Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Protection Health | 87.3% | 11.3% | 0.6% | —% | —% | —% | (0.3)% | 0.5% | 0.7% | 0.1% |

Significant Methodologies and Assumptions

The Latin America segment establishes liabilities for unpaid losses, which are equal to the accumulation of unpaid reported claims, plus an estimate for claims IBNR.

In general terms, for both the Protection Life and Protection Health products, the methodology for IBNR is a weighted loss ratio combined with the Bornhuetter-Ferguson Method. The factors are derived by examining the experience of historical claims. In the initial months, the credibility is higher on premiums and lower on claims. As the premiums are earned, the credibility grows for the factors. For one major medical Protection Health product, a different methodology is employed, which estimates the IBNR based on a percentage of policy cancellations and the accrued premium.

For Protection Health products, claim duration can be very long due to the multiple incidences over time that may occur for a single claim. The number of claims reported per year is based on the original claim occurrence date for each individual claim. Any subsequent claims that are considered part of the original claim occurrence are not counted as a new claim. For Protection Life products, claims are based upon individual death claims.

There were no significant changes in methodologies or assumptions during 2018. The assumptions used in calculating the unpaid claims and claim adjustment expenses for Protection Life and Protection Health are updated annually to reflect emerging trends in claim experience.

No additional premiums or return premiums have been accrued as a result of the prior year development.

Liabilities for unpaid claims and claim adjustment expenses were not discounted.

For Protection Life and Protection Health products, claim counts initially include claims that do not ultimately result in a liability. These claims are omitted from the claim counts once it is determined that there is no liability.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claim Adjustment Expenses
The reconciliation of the net incurred and paid claims development tables to the liability for unpaid claims and claims adjustment expenses on the consolidated balance sheet was as follows at:

| | December 31, 2018 (In millions) | |
|---|---|---|
| Short-Duration: | | |
| Unpaid claims and allocated claims adjustment expenses, net of reinsurance: | | |
| U.S.: | | |
| Group Life - Term | $2,012 | |
| Group Long-Term Disability | 7,112 | |
| Property & Casualty - Auto | 1,160 | |
| Property & Casualty - Home | 225 | |
| Total | | $10,509 |
| Asia - Group Disability & Group Life | | 578 |
| Latin America: | | |
| Protection Life | 308 | |
| Protection Health | 73 | |
| Total | | 381 |
| Other insurance lines - all segments combined | | 1,107 |
| Total unpaid claims and allocated claims adjustment expenses, net of reinsurance | | 12,575 |
| Reinsurance recoverables on unpaid claims: | | |
| U.S.: | | |
| Group Life - Term | 20 | |
| Group Long-Term Disability | 109 | |
| Property & Casualty - Auto | 66 | |
| Property & Casualty - Home | 4 | |
| Total | | 199 |
| Asia - Group Disability & Group Life | | 216 |
| Latin America: | | |
| Protection Life | 4 | |
| Protection Health | 6 | |
| Total | | 10 |
| Other insurance lines - all segments combined | | 353 |
| Total reinsurance recoverable on unpaid claims | | 778 |
| Total unpaid claims and allocated claims adjustment expense | | 13,353 |
| Unallocated claims adjustment expenses | | 90 |
| Discounting | | (1,314 ) |
| Liability for unpaid claims and claim adjustment liabilities - short-duration | | 12,129 |
| Liability for unpaid claims and claim adjustment liabilities - all long-duration lines | | 5,659 |
| Total liability for unpaid claims and claim adjustment expense (included in future policy benefits and other policy-related balances) | | $17,788 |

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Rollforward of Claims and Claim Adjustment Expenses
Information regarding the liabilities for unpaid claims and claim adjustment expenses was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Balance at December 31 of prior period | $17,094 | $16,157 | $9,669 |
| Less: Reinsurance recoverables | 2,198 | 1,968 | 476 |
| Net balance at December 31 of prior period | 14,896 | 14,189 | 9,193 |
| Cumulative adjustment (1) | — | — | 4,819 |
| Net balance at January 1, | 14,896 | 14,189 | 14,012 |
| Incurred related to: | | | |
| Current year | 24,571 | 24,370 | 24,011 |
| Prior years (2) | 454 | 133 | 382 |
| Total incurred | 25,025 | 24,503 | 24,393 |
| Paid related to: | | | |
| Current year | (18,757 ) | (18,525 ) | (18,696 ) |
| Prior years | (5,708 ) | (5,271 ) | (5,520 ) |
| Total paid | (24,465 ) | (23,796 ) | (24,216 ) |
| Net balance at December 31, | 15,456 | 14,896 | 14,189 |
| Add: Reinsurance recoverables | 2,332 | 2,198 | 1,968 |
| Balance at December 31, | $17,788 | $17,094 | $16,157 |

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(1) Reflects the accumulated adjustment, net of reinsurance, upon implementation of the short-duration contracts guidance which clarified the requirement to include claim information for long-duration contracts. The accumulated adjustment primarily reflects unpaid claim liabilities, net of reinsurance, for long-duration contracts as of the beginning of the period presented.

(2) During 2018 and 2017, claims and claim adjustment expenses associated with prior years increased due to events incurred in prior years but reported during current year. During 2016, claims and claim adjustment expenses associated with prior years increased due to the implementation of guidance related to short-duration contracts.

Separate Accounts
Separate account assets and liabilities include two categories of account types: pass-through separate accounts totaling $129.2 billion and $148.2 billion at December 31, 2018 and 2017, respectively, for which the policyholder assumes all investment risk, and separate accounts for which the Company contractually guarantees either a minimum return or account value to the policyholder which totaled $46.4 billion and $56.8 billion at December 31, 2018 and 2017, respectively. The latter category consisted primarily of guaranteed interest contracts (“GICs”). The average interest rate credited on these contracts was 2.60% and 2.34% at December 31, 2018 and 2017, respectively.
For the years ended December 31, 2018, 2017 and 2016, there were no investment gains (losses) on transfers of assets from the general account to the separate accounts.

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles
See Note 1 for a description of capitalized acquisition costs.
Nonparticipating and Non-Dividend-Paying Traditional Contracts
The Company amortizes DAC and VOBA related to these contracts (term insurance, nonparticipating whole life insurance, traditional group life insurance, non-medical health insurance, and accident & health insurance) over the appropriate premium paying period in proportion to the actual and expected future gross premiums that were set at contract issue. The expected premiums are based upon the premium requirement of each policy and assumptions for mortality, morbidity, persistency and investment returns at policy issuance, or policy acquisition (as it relates to VOBA), include provisions for adverse deviation, and are consistent with the assumptions used to calculate future policyholder benefit liabilities. These assumptions are not revised after policy issuance or acquisition unless the DAC or VOBA balance is deemed to be unrecoverable from future expected profits. Absent a premium deficiency, variability in amortization after policy issuance or acquisition is caused only by variability in premium volumes.
Participating, Dividend-Paying Traditional Contracts
The Company amortizes DAC and VOBA related to these contracts over the estimated lives of the contracts in proportion to actual and expected future gross margins. The amortization includes interest based on rates in effect at inception or acquisition of the contracts. The future gross margins are dependent principally on investment returns, policyholder dividend scales, mortality, persistency, expenses to administer the business, creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. For participating contracts within the closed block (dividend-paying traditional contracts) future gross margins are also dependent upon changes in the policyholder dividend obligation. See Note 7. Of these factors, the Company anticipates that investment returns, expenses, persistency and other factor changes, as well as policyholder dividend scales, are reasonably likely to impact significantly the rate of DAC and VOBA amortization. Each reporting period, the Company updates the estimated gross margins with the actual gross margins for that period. When the actual gross margins change from previously estimated gross margins, the cumulative DAC and VOBA amortization is re-estimated and adjusted by a cumulative charge or credit to current operations. When actual gross margins exceed those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the actual gross margins are below the previously estimated gross margins. Each reporting period, the Company also updates the actual amount of business in-force, which impacts expected future gross margins. When expected future gross margins are below those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the expected future gross margins are above the previously estimated expected future gross margins. Each period, the Company also reviews the estimated gross margins for each block of business to determine the recoverability of DAC and VOBA balances.
Fixed and Variable Universal Life Contracts and Fixed and Variable Deferred Annuity Contracts
The Company amortizes DAC and VOBA related to these contracts over the estimated lives of the contracts in proportion to actual and expected future gross profits. The amortization includes interest based on rates in effect at inception or acquisition of the contracts. The amount of future gross profits is dependent principally upon returns in excess of the amounts credited to policyholders, mortality, persistency, interest crediting rates, expenses to administer the business, creditworthiness of reinsurance counterparties, the effect of any hedges used and certain economic variables, such as inflation. Of these factors, the Company anticipates that investment returns, expenses and persistency are reasonably likely to significantly impact the rate of DAC and VOBA amortization. Each reporting period, the Company updates the estimated gross profits with the actual gross profits for that period. When the actual gross profits change from previously estimated gross profits, the cumulative DAC and VOBA amortization is re-estimated and adjusted by a cumulative charge or credit to current operations. When actual gross profits exceed those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the actual gross profits are below the previously estimated gross profits. Each reporting period, the Company also updates the actual amount of business remaining in-force, which impacts expected future gross profits. When expected future gross profits are below those previously estimated, the DAC and

VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the expected future gross profits are above the previously estimated expected future gross profits. Each period, the Company also reviews the estimated gross profits for each block of business to determine the recoverability of DAC and VOBA balances.

Credit Insurance, Property and Casualty Insurance and Other Short-Duration Contracts

The Company amortizes DAC for these contracts, which is primarily composed of commissions and certain underwriting expenses, in proportion to actual and future earned premium over the applicable contract term.

Table of Contents


Factors Impacting Amortization

Separate account rates of return on variable universal life contracts and variable deferred annuity contracts affect in-force account balances on such contracts each reporting period, which can result in significant fluctuations in amortization of DAC and VOBA. Returns that are higher than the Company's long-term expectation produce higher account balances, which increases the Company's future fee expectations and decreases future benefit payment expectations on minimum death and living benefit guarantees, resulting in higher expected future gross profits. The opposite result occurs when returns are lower than the Company's long-term expectation. The Company's practice to determine the impact of gross profits resulting from returns on separate accounts assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations, but is only changed when sustained interim deviations are expected. The Company monitors these events and only changes the assumption when its long-term expectation changes.

The Company also periodically reviews other long-term assumptions underlying the projections of estimated gross margins and profits. These assumptions primarily relate to investment returns, policyholder dividend scales, interest crediting rates, mortality, persistency, policyholder behavior and expenses to administer business. Management annually updates assumptions used in the calculation of estimated gross margins and profits which may have significantly changed. If the update of assumptions causes expected future gross margins and profits to increase, DAC and VOBA amortization will decrease, resulting in a current period increase to earnings. The opposite result occurs when the assumption update causes expected future gross margins and profits to decrease.

Periodically, the Company modifies product benefits, features, rights or coverages that occur by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by election or coverage within a contract. If such modification, referred to as an internal replacement, substantially changes the contract, the associated DAC or VOBA is written off immediately through income and any new deferrable costs associated with the replacement contract are deferred. If the modification does not substantially change the contract, the DAC or VOBA amortization on the original contract will continue and any acquisition costs associated with the related modification are expensed.

Amortization of DAC and VOBA is attributed to net investment gains (losses) and net derivative gains (losses), and to other expenses for the amount of gross margins or profits originating from transactions other than investment gains and losses. Unrealized investment gains and losses represent the amount of DAC and VOBA that would have been amortized if such gains and losses had been recognized.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles (continued)

Information regarding DAC and VOBA was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| DAC: | | | |
| Balance at January 1, | $14,789 | $13,830 | $13,464 |
| Capitalizations | 3,254 | 3,002 | 3,152 |
| Amortization related to: | | | |
| Net investment gains (losses) and net derivative gains (losses) | (109) | 60 | 229 |
| Other expenses | (2,599) | (2,426) | (2,555) |
| Total amortization | (2,708) | (2,366) | (2,326) |
| Unrealized investment gains (losses) | 511 | (525) | (171) |
| Effect of foreign currency translation and other | (276) | 848 | (289) |
| Balance at December 31, | 15,570 | 14,789 | 13,830 |
| VOBA: | | | |
| Balance at January 1, | 3,630 | 3,760 | 3,966 |
| Amortization related to: | | | |
| Net investment gains (losses) and net derivative gains (losses) | — | — | (3) |
| Other expenses | (267) | (315) | (389) |
| Total amortization | (267) | (315) | (392) |
| Unrealized investment gains (losses) | 10 | (4) | 8 |
| Effect of foreign currency translation and other | (48) | 189 | 178 |
| Balance at December 31, | 3,325 | 3,630 | 3,760 |
| Total DAC and VOBA: | | | |
| Balance at December 31, | $18,895 | $18,419 | $17,590 |

Information regarding total DAC and VOBA by segment, as well as Corporate & Other, was as follows at:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| U.S. | $633 | $614 |
| Asia | 10,156 | 9,261 |
| Latin America | 1,984 | 2,050 |
| EMEA | 1,622 | 1,673 |
| MetLife Holdings | 4,474 | 4,797 |
| Corporate & Other | 26 | 24 |
| Total | $18,895 | $18,419 |

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles (continued)

Information regarding other intangibles was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| DSI: | | | |
| Balance at January 1, | $220 | $241 | $242 |
| Capitalization | 7 | 16 | 22 |
| Amortization | (33) | (29) | (23) |
| Unrealized investment gains (losses) | 16 | (6) | — |
| Effect of foreign currency translation | — | (2) | — |
| Balance at December 31, | $210 | $220 | $241 |
| VODA and VOCRA: | | | |
| Balance at January 1, | $459 | $509 | $583 |
| Amortization | (47) | (51) | (57) |
| Effect of foreign currency translation | (28) | 1 | (17) |
| Balance at December 31, | $384 | $459 | $509 |
| Accumulated amortization | $392 | $345 | $294 |
| Negative VOBA: | | | |
| Balance at January 1, | $827 | $935 | $1,193 |
| Amortization | (56) | (140) | (269) |
| Effect of foreign currency translation and other | 8 | 32 | 11 |
| Balance at December 31, | $779 | $827 | $935 |
| Accumulated amortization | $3,230 | $3,174 | $3,034 |

The estimated future amortization expense (credit) to be reported in other expenses for the next five years was as follows:

| | VOBA | VODA and VOCRA | Negative VOBA |
|---|---|---|---|
| | (In millions) | | |
| 2019 | $267 | $ 42 | $ (41) |
| 2020 | $247 | $ 38 | $ (41) |
| 2021 | $223 | $ 35 | $ (39) |
| 2022 | $209 | $ 32 | $ (37) |
| 2023 | $195 | $ 29 | $ (36) |

6. Reinsurance

The Company enters into reinsurance agreements primarily as a purchaser of reinsurance for its various insurance products and also as a provider of reinsurance for some insurance products issued by third parties. The Company participates in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth.

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the financial strength of counterparties to its reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed in Note 8.

U.S.

For its Group Benefits business, the Company generally retains most of the risk and only cedes particular risk on certain client arrangements. The majority of the Company's reinsurance activity within this business relates to client agreements for employer sponsored captive programs, risk-sharing agreements and multinational pooling.

The Company, through its Property & Casualty business, purchases reinsurance to manage its exposure to large losses (primarily catastrophe losses) and to protect statutory surplus. The Company cedes losses and premiums based upon the exposure of the policies subject to reinsurance. To manage exposure to large property & casualty losses, the Company purchases property catastrophe, casualty and property per risk excess of loss reinsurance protection.

The Company's RIS business has periodically engaged in reinsurance activities on an opportunistic basis. There were no such transactions during the periods presented.

Asia, Latin America and EMEA

For certain of its life insurance products, the Company currently reinsures risks in excess of $5 million to external reinsurers on a yearly renewable term basis. For selected large corporate clients, the Company reinsures group employee benefits or credit insurance business with various client-affiliated reinsurance companies, covering policies issued to the employees or customers of the clients. Additionally, the Company cedes and assumes risk with other insurance companies when either company requires a business partner with the appropriate local licensing to issue certain types of policies in certain jurisdictions. In these cases, the assuming company typically underwrites the risks, develops the products and assumes most or all of the risk. The Company also has reinsurance agreements in-force that reinsure a portion of the living and death benefit guarantees issued in connection with variable annuity products. Under these agreements, the Company pays reinsurance fees associated with the guarantees collected from policyholders, and receives reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations. The Company may also reinsure certain risks with external reinsurers depending upon the nature of the risk and local regulatory requirements.

MetLife Holdings

For its life products, the Company has historically reinsured the mortality risk primarily on an excess of retention basis or on a quota share basis. In addition to reinsuring mortality risk as described above, the Company reinsures other risks, as well as specific coverages. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specified characteristics. The Company also assumes portions of the risk associated with certain whole life policies issued by a former affiliate and reinsures certain term life policies and universal life policies with secondary death benefit guarantees to such former affiliate.

For its other products, the Company has a reinsurance agreement in-force to reinsure the living and death benefit guarantees issued in connection with certain variable annuity guarantees from the Company's former operating joint venture in Japan. Under this agreement, the Company receives reinsurance fees associated with the guarantees collected from policyholders, and provides reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

Catastrophe Coverage

The Company has exposure to catastrophes which could contribute to significant fluctuations in the Company's results of operations. For the U.S. and EMEA, the Company purchases catastrophe coverage to reinsure risks issued within territories that the Company believes are subject to the greatest catastrophic risks. For its other segments, the Company uses excess of retention and quota share reinsurance agreements to provide greater diversification of risk and minimize exposure to larger risks. Excess of retention reinsurance agreements provide for a portion of a risk to remain with the direct writing company and quota share reinsurance agreements provide for the direct writing company to transfer a fixed percentage of all risks of a class of policies.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
6. Reinsurance (continued)

Reinsurance Recoverables

The Company reinsures its business through a diversified group of well-capitalized reinsurers. The Company analyzes recent trends in arbitration and litigation outcomes in disputes, if any, with its reinsurers. The Company monitors ratings and evaluates the financial strength of its reinsurers by analyzing their financial statements. In addition, the reinsurance recoverable balance due from each reinsurer is evaluated as part of the overall monitoring process. Recoverability of reinsurance recoverable balances is evaluated based on these analyses. The Company generally secures large reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. These reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance, which at December 31, 2018 and 2017, were not significant.

The Company has secured certain reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. The Company had $3.4 billion and $3.5 billion of unsecured reinsurance recoverable balances at December 31, 2018 and 2017, respectively.

At December 31, 2018, the Company had $7.5 billion of net ceded reinsurance recoverables. Of this total, $4.5 billion, or 60%, were with the Company’s five largest ceded reinsurers, including $1.1 billion of net ceded reinsurance recoverables which were unsecured. At December 31, 2017, the Company had $7.2 billion of net ceded reinsurance recoverables. Of this total, $4.4 billion, or 61%, were with the Company’s five largest ceded reinsurers, including $1.5 billion of net ceded reinsurance recoverables which were unsecured.

The Company has reinsured with an unaffiliated third-party reinsurer, 59.25% of the closed block through a modified coinsurance agreement. The Company accounts for this agreement under the deposit method of accounting. The Company, having the right of offset, has offset the modified coinsurance deposit with the deposit recoverable.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
6. Reinsurance (continued)

The amounts on the consolidated statements of operations include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Premiums | | | |
| Direct premiums | $44,199 | $39,595 | $37,975 |
| Reinsurance assumed | 2,021 | 1,773 | 1,363 |
| Reinsurance ceded | (2,380) | (2,376) | (2,136) |
| Net premiums | $43,840 | $38,992 | $37,202 |
| Universal life and investment-type product policy fees | | | |
| Direct universal life and investment-type product policy fees | $6,008 | $5,978 | $5,884 |
| Reinsurance assumed | 86 | 83 | 96 |
| Reinsurance ceded | (592) | (551) | (497) |
| Net universal life and investment-type product policy fees | $5,502 | $5,510 | $5,483 |
| Policyholder benefits and claims | | | |
| Direct policyholder benefits and claims | $43,456 | $39,354 | $37,186 |
| Reinsurance assumed | 1,583 | 1,388 | 1,085 |
| Reinsurance ceded | (2,383) | (2,429) | (1,913) |
| Net policyholder benefits and claims | $42,656 | $38,313 | $36,358 |
| Other expenses | | | |
| Direct other expenses | $13,704 | $13,610 | $13,958 |
| Reinsurance assumed | 321 | 246 | 169 |
| Reinsurance ceded | (311) | (235) | (378) |
| Net other expenses | $13,714 | $13,621 | $13,749 |

The amounts on the consolidated balance sheets include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows at:

| | December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | 2017 | | | |
| | Direct | Assumed | Ceded | Total Balance Sheet | Direct | Assumed | Ceded | Total Balance Sheet |
| | (In millions) | | | | | | | |
| Assets | | | | | | | | |
| Premiums, reinsurance and other receivables | $5,988 | $ 1,603 | $12,053 | $19,644 | $6,300 | $ 866 | $11,257 | $18,423 |
| Deferred policy acquisition costs and value of business acquired | 18,812 | 385 | (302) | 18,895 | 18,350 | 398 | (329) | 18,419 |
| Total assets | $24,800 | $ 1,988 | $11,751 | $38,539 | $24,650 | $ 1,264 | $10,928 | $36,842 |
| Liabilities | | | | | | | | |
| Future policy benefits | $183,367 | $ 3,413 | $— | $186,780 | $174,694 | $ 3,280 | $— | $177,974 |
| Policyholder account balances | 183,207 | 488 | (2) | 183,693 | 182,226 | 293 | (1) | 182,518 |
| Other policy-related balances | 15,519 | 986 | 24 | 16,529 | 14,962 | 520 | 33 | 15,515 |
| Other liabilities | 14,848 | 2,131 | 5,985 | 22,964 | 17,077 | 1,896 | 5,009 | 23,982 |
| Total liabilities | $396,941 | $ 7,018 | $6,007 | $409,966 | $388,959 | $ 5,989 | $5,041 | $399,989 |

Reinsurance agreements that do not expose the Company to a reasonable possibility of a significant loss from insurance risk are recorded using the deposit method of accounting. The deposit assets on reinsurance were $2.7 billion and $2.8 billion at December 31, 2018 and 2017, respectively. The deposit liabilities on reinsurance were $1.4 billion at both December 31, 2018 and 2017.

7. Closed Block

On April 7, 2000 (the “Demutualization Date”), Metropolitan Life Insurance Company (“MLIC”) converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant to an order by the New York Superintendent of Insurance approving MLIC’s plan of reorganization, as amended (the “Plan of Reorganization”). On the Demutualization Date, MLIC established a closed block for the benefit of holders of certain individual life insurance policies of MLIC. Assets have been allocated to the closed block in an amount that has been determined to produce cash flows which, together with anticipated revenues from the policies included in the closed block, are reasonably expected to be sufficient to support obligations and liabilities relating to these policies, including, but not limited to, provisions for the payment of claims and certain expenses and taxes, and to provide for the continuation of policyholder dividend scales in effect for 1999, if the experience underlying such dividend scales continues, and for appropriate adjustments in such scales if the experience changes. At least annually, the Company compares actual and projected experience against the experience assumed in the then-current dividend scales. Dividend scales are adjusted periodically to give effect to changes in experience.

The closed block assets, the cash flows generated by the closed block assets and the anticipated revenues from the policies in the closed block will benefit only the holders of the policies in the closed block. To the extent that, over time, cash flows from the assets allocated to the closed block and claims and other experience related to the closed block are, in the aggregate, more or less favorable than what was assumed when the closed block was established, total dividends paid to closed block policyholders in the future may be greater than or less than the total dividends that would have been paid to these policyholders if the policyholder dividend scales in effect for 1999 had been continued. Any cash flows in excess of amounts assumed will be available for distribution over time to closed block policyholders and will not be available to stockholders. If the closed block has insufficient funds to make guaranteed policy benefit payments, such payments will be made from assets outside of the closed block. The closed block will continue in effect as long as any policy in the closed block remains in-force. The expected life of the closed block is over 100 years from the Demutualization Date.

The Company uses the same accounting principles to account for the participating policies included in the closed block as it used prior to the Demutualization Date. However, the Company establishes a policyholder dividend obligation for earnings that will be paid to policyholders as additional dividends as described below. The excess of closed block liabilities over closed block assets at the Demutualization Date (adjusted to eliminate the impact of related amounts in AOCI) represents the estimated maximum future earnings from the closed block expected to result from operations, attributed net of income tax, to the closed block. Earnings of the closed block are recognized in income over the period the policies and contracts in the closed block remain in-force. Management believes that over time the actual cumulative earnings of the closed block will approximately equal the expected cumulative earnings due to the effect of dividend changes. If, over the period the closed block remains in existence, the actual cumulative earnings of the closed block are greater than the expected cumulative earnings of the closed block, the Company will pay the excess to closed block policyholders as additional policyholder dividends unless offset by future unfavorable experience of the closed block and, accordingly, will recognize only the expected cumulative earnings in income with the excess recorded as a policyholder dividend obligation. If over such period, the actual cumulative earnings of the closed block are less than the expected cumulative earnings of the closed block, the Company will recognize only the actual earnings in income. However, the Company may change policyholder dividend scales in the future, which would be intended to increase future actual earnings until the actual cumulative earnings equal the expected cumulative earnings.

Experience within the closed block, in particular mortality and investment yields, as well as realized and unrealized gains and losses, directly impact the policyholder dividend obligation. Amortization of the closed block DAC, which resides outside of the closed block, is based upon cumulative actual and expected earnings within the closed block. Accordingly, the Company's net income continues to be sensitive to the actual performance of the closed block.
Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
7. Closed Block (continued)

Information regarding the closed block liabilities and assets designated to the closed block was as follows at:

| | December 31, 2018 | 2017 |
|---|---|---|
| | (In millions) | |
| Closed Block Liabilities | | |
| Future policy benefits | $40,032 | $40,463 |
| Other policy-related balances | 317 | 222 |
| Policyholder dividends payable | 431 | 437 |
| Policyholder dividend obligation | 428 | 2,121 |
| Deferred income tax liability | 28 | — |
| Other liabilities | 328 | 212 |
| Total closed block liabilities | 41,564 | 43,455 |
| Assets Designated to the Closed Block | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at estimated fair value | 25,354 | 27,904 |
| Equity securities, at estimated fair value | 61 | 70 |
| Contractholder-directed equity securities and fair value option securities, at estimated fair value | 43 | — |
| Mortgage loans | 6,778 | 5,878 |
| Policy loans | 4,527 | 4,548 |
| Real estate and real estate joint ventures | 544 | 613 |
| Other invested assets | 643 | 731 |
| Total investments | 37,950 | 39,744 |
| Accrued investment income | 443 | 477 |
| Premiums, reinsurance and other receivables; cash and cash equivalents | 83 | 14 |
| Current income tax recoverable | 69 | 35 |
| Deferred income tax asset | — | 36 |
| Total assets designated to the closed block | 38,545 | 40,306 |
| Excess of closed block liabilities over assets designated to the closed block | 3,019 | 3,149 |
| Amounts included in AOCI: | | |
| Unrealized investment gains (losses), net of income tax | 1,089 | 1,863 |
| Unrealized gains (losses) on derivatives, net of income tax | 86 | (7) |
| Allocated to policyholder dividend obligation, net of income tax | (338) | (1,379) |
| Total amounts included in AOCI | 837 | 477 |
| Maximum future earnings to be recognized from closed block assets and liabilities | $3,856 | $3,626 |

See Note 1 for discussion of new accounting guidance related to U.S. Tax Reform.

Information regarding the closed block policyholder dividend obligation was as follows:

| | Years Ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|
| | (In millions) | | |
| Balance at January 1, | $2,121 | $1,931 | $1,783 |
| Change in unrealized investment and derivative gains (losses) | (1,693) | 190 | 148 |
| Balance at December 31, | $428 | $2,121 | $1,931 |

248

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
7. Closed Block (continued)

Information regarding the closed block revenues and expenses was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Revenues | | | |
| Premiums | $1,672 | $1,736 | $1,804 |
| Net investment income | 1,758 | 1,818 | 1,902 |
| Net investment gains (losses) | (71) | 1 | (10) |
| Net derivative gains (losses) | 22 | (32) | 25 |
| Total revenues | 3,381 | 3,523 | 3,721 |
| Expenses | | | |
| Policyholder benefits and claims | 2,475 | 2,453 | 2,563 |
| Policyholder dividends | 968 | 976 | 953 |
| Other expenses | 117 | 125 | 133 |
| Total expenses | 3,560 | 3,554 | 3,649 |
| Revenues, net of expenses before provision for income tax expense (benefit) | (179) | (31) | 72 |
| Provision for income tax expense (benefit) | (39) | 12 | 24 |
| Revenues, net of expenses and provision for income tax expense (benefit) | $(140) | $(43) | $48 |

MLIC charges the closed block with federal income taxes, state and local premium taxes and other state or local taxes, as well as investment management expenses relating to the closed block as provided in the Plan of Reorganization. MLIC also charges the closed block for expenses of maintaining the policies included in the closed block.

8. Investments

See Note 10 for information about the fair value hierarchy for investments and the related valuation methodologies.

Investment Risks and Uncertainties

Investments are exposed to the following primary sources of risk: credit, interest rate, liquidity, market valuation, currency and real estate risk. The financial statement risks, stemming from such investment risks, are those associated with the determination of estimated fair values, the diminished ability to sell certain investments in times of strained market conditions, the recognition of impairments, the recognition of income on certain investments and the potential consolidation of VIEs. The use of different methodologies, assumptions and inputs relating to these financial statement risks may have a material effect on the amounts presented within the consolidated financial statements.

The determination of valuation allowances and impairments is highly subjective and is based upon periodic evaluations and assessments of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

The recognition of income on certain investments (e.g. structured securities, including mortgage-backed securities, asset-backed securities ("ABS"), certain structured investment transactions and FVO Securities) is dependent upon certain factors such as prepayments and defaults, and changes in such factors could result in changes in amounts to be earned.

Fixed Maturity Securities AFS

Fixed Maturity Securities AFS by Sector

The following table presents the fixed maturity securities AFS by sector. Municipals includes taxable and tax-exempt revenue bonds, and to a much lesser extent, general obligations of states, municipalities and political subdivisions. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities AFS. Included within fixed maturity securities AFS are structured securities including RMBS, ABS and commercial mortgage-backed securities ("CMBS") (collectively, "Structured Securities").

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

| | December 31, 2018 | | | | | December 31, 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross Unrealized | | | | | Gross Unrealized | | | |
| | Amortized Cost | Gains | Temporary Losses | OTTI Losses (1) | Estimated Fair Value | Amortized Cost | Gains | Temporary Losses | OTTI Losses (1) | Estimated Fair Value |
| | (In millions) | | | | | | | | | |
| U.S. corporate | $77,761 | $3,467 | $ 2,280 | $— | $78,948 | $76,005 | $7,007 | $ 351 | $— | $82,661 |
| Foreign government | 56,353 | 6,406 | 471 | — | 62,288 | 55,351 | 6,495 | 312 | — | 61,534 |
| Foreign corporate | 56,290 | 2,438 | 2,025 | — | 56,703 | 52,409 | 3,836 | 676 | — | 55,569 |
| U.S. government and agency | 37,030 | 2,756 | 464 | — | 39,322 | 43,446 | 4,227 | 279 | — | 47,394 |
| RMBS | 27,409 | 920 | 394 | (26 ) | 27,961 | 27,846 | 1,145 | 233 | (42 ) | 28,800 |
| ABS | 12,552 | 74 | 153 | 1 | 12,472 | 12,213 | 116 | 39 | (1 ) | 12,291 |
| Municipals | 10,376 | 1,228 | 71 | — | 11,533 | 10,752 | 1,717 | 13 | 1 | 12,455 |
| CMBS | 9,045 | 115 | 122 | — | 9,038 | 8,047 | 222 | 42 | — | 8,227 |
| Total fixed maturity securities AFS | $286,816 | $17,404 | $ 5,980 | $(25 ) | $298,265 | $286,069 | $24,765 | $ 1,945 | $(42 ) | $308,931 |

(1) Noncredit OTTI losses included in AOCI in an unrealized gain position are due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also "— Net Unrealized Investment Gains (Losses)."

The Company held non-income producing fixed maturity securities AFS with an estimated fair value of $15 million and $6 million with unrealized gains (losses) of ($1) million and ($4) million at December 31, 2018 and 2017, respectively.

Methodology for Amortization of Premium and Accretion of Discount on Structured Securities

Amortization of premium and accretion of discount on Structured Securities considers the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the originally anticipated and the actual prepayments received and currently anticipated. Prepayment assumptions for Structured Securities are estimated using inputs obtained from third-party specialists and based on management's knowledge of the current market. For credit-sensitive and certain prepayment-sensitive Structured Securities, the effective yield is recalculated on a prospective basis. For all other Structured Securities, the effective yield is recalculated on a retrospective basis.

Maturities of Fixed Maturity Securities AFS

The amortized cost and estimated fair value of fixed maturity securities AFS, by contractual maturity date, were as follows at December 31, 2018:

| | Due in One Year or Less | Due After One Year Through Five Years | Due After Five Years Through Ten Years | Due After Ten Years | Structured Securities | Total Fixed Maturity Securities AFS |
|---|---|---|---|---|---|---|
| | (In millions) | | | | | |
| Amortized cost | $12,704 | $54,663 | $59,986 | $110,457 | $ 49,006 | $286,816 |
| Estimated fair value | $12,734 | $55,876 | $61,116 | $119,068 | $ 49,471 | $298,265 |

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities AFS not due at a single maturity date have been presented in the year of final contractual maturity. Structured Securities are shown separately, as they are not due at a single maturity.

250

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

Continuous Gross Unrealized Losses for Fixed Maturity Securities AFS by Sector
The following table presents the estimated fair value and gross unrealized losses of fixed maturity securities AFS in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position at:

| | December 31, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 12 Months | | Equal to or Greater than 12 Months | | Less than 12 Months | | Equal to or Greater than 12 Months | |
| | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| | (Dollars in millions) | | | | | | | |
| U.S. corporate | $32,430 | $ 1,663 | $5,826 | $ 617 | $5,604 | $ 92 | $4,115 | $ 259 |
| Foreign government | 4,392 | 243 | 2,902 | 228 | 4,234 | 83 | 3,251 | 229 |
| Foreign corporate | 19,564 | 1,230 | 5,765 | 795 | 4,422 | 99 | 6,802 | 577 |
| U.S. government and agency | 6,813 | 58 | 8,937 | 406 | 18,273 | 93 | 3,560 | 186 |
| RMBS | 6,506 | 120 | 6,423 | 248 | 6,359 | 50 | 4,159 | 141 |
| ABS | 8,230 | 138 | 392 | 16 | 1,695 | 7 | 729 | 31 |
| Municipals | 1,380 | 46 | 349 | 25 | 182 | 2 | 346 | 12 |
| CMBS | 3,893 | 67 | 707 | 55 | 1,174 | 9 | 413 | 33 |
| Total fixed maturity securities AFS | $83,208 | $ 3,565 | $31,301 | $ 2,390 | $41,943 | $ 435 | $23,375 | $ 1,468 |
| Total number of securities in an unrealized loss position | 6,913 | | 2,335 | | 2,598 | | 1,955 | |

Evaluation of Fixed Maturity Securities AFS for OTTI and Evaluating Temporarily Impaired Fixed Maturity Securities AFS
Evaluation and Measurement Methodologies
Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management’s evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used in the impairment evaluation process include, but are not limited to: (i) the length of time and the extent to which the estimated fair value has been below amortized cost; (ii) the potential for impairments when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments where the issuer, series of issuers or industry has suffered a catastrophic loss or has exhausted natural resources; (vi) whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers; (vii) with respect to Structured Securities, changes in forecasted cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security; (viii) the potential for impairments due to weakening of foreign currencies on non-functional currency denominated securities that are near maturity; and (ix) other subjective factors, including concentrations and information obtained from regulators and rating agencies.

The methodology and significant inputs used to determine the amount of credit loss are as follows:

- The Company calculates the recovery value by performing a discounted cash flow analysis based on the present value of future cash flows. The discount rate is generally the effective interest rate of the security prior to impairment.
- When determining collectability and the period over which value is expected to recover, the Company applies considerations utilized in its overall impairment evaluation process which incorporates information regarding the specific security, fundamentals of the industry and geographic area in which the security issuer operates, and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from management's best estimates of likely scenario-based outcomes after giving consideration to a variety of variables that include, but are not limited to: payment terms of the security; the likelihood that the issuer can service the interest and principal payments; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; and changes to the rating of the security or the issuer by rating agencies.
- Additional considerations are made when assessing the unique features that apply to certain Structured Securities including, but not limited to: the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying loans or assets backing a particular security, and the payment priority within the tranche structure of the security.
- When determining the amount of the credit loss for the following types of securities: U.S. and foreign corporate, foreign government and municipals, the estimated fair value is considered the recovery value when available information does not indicate that another value is more appropriate. When information is identified that indicates a recovery value other than estimated fair value, management considers in the determination of recovery value the same considerations utilized in its overall impairment evaluation process as described above, as well as any private and public sector programs to restructure such securities.

With respect to securities that have attributes of debt and equity ("perpetual hybrid securities"), consideration is given in the OTTI analysis as to whether there has been any deterioration in the credit of the issuer and the likelihood of recovery in value of the securities that are in a severe and extended unrealized loss position. Consideration is also given as to whether any perpetual hybrid securities with an unrealized loss, regardless of credit rating, have deferred any dividend payments. When an OTTI loss has occurred, the OTTI loss is the entire difference between the perpetual hybrid security's cost and its estimated fair value with a corresponding charge to earnings.

The amortized cost of securities is adjusted for OTTI in the period in which the determination is made. The Company does not change the revised cost basis for subsequent recoveries in value.

In periods subsequent to the recognition of OTTI on a security, the Company accounts for the impaired security as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis is accreted over the remaining term of the security in a prospective manner based on the amount and timing of estimated future cash flows.

Current Period Evaluation

Based on the Company's current evaluation of its securities in an unrealized loss position 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 concluded that these securities were not other-than-temporarily impaired at December 31, 2018. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), and changes in credit ratings, collateral valuation and foreign currency exchange rates. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities AFS increased $4.1 billion during the year ended December 31, 2018 to $6.0 billion. The increase in gross unrealized losses for the year ended December 31, 2018 was primarily attributable to increases in interest rates, widening credit spreads and, to a lesser extent, the impact of weakening of

certain foreign currencies on non-functional currency denominated fixed maturity securities AFS.
At December 31, 2018, $155 million of the total $6.0 billion of gross unrealized losses were from 42 fixed maturity securities AFS with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

Investment Grade Fixed Maturity Securities AFS
Of the $155 million of gross unrealized losses on fixed maturity securities AFS with an unrealized loss of 20% or more of amortized cost for six months or greater, $91 million, or 59%, were related to gross unrealized losses on 20 investment grade fixed maturity securities AFS. Unrealized losses on investment grade fixed maturity securities AFS are principally related to widening credit spreads since purchase and, with respect to fixed-rate fixed maturity securities AFS, rising interest rates since purchase.
Below Investment Grade Fixed Maturity Securities AFS
Of the $155 million of gross unrealized losses on fixed maturity securities AFS with an unrealized loss of 20% or more of amortized cost for six months or greater, $64 million, or 41%, were related to gross unrealized losses on 22 below investment grade fixed maturity securities AFS. Unrealized losses on below investment grade fixed maturity securities AFS are principally related to U.S. and foreign corporate securities (primarily industrial and utility securities) and CMBS and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainty. Management evaluates U.S. and foreign corporate securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuers and evaluates CMBS based on actual and projected cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, the payment terms of the underlying assets backing a particular security and the payment priority within the tranche structure of the security.
Equity Securities
Equity securities are summarized as follows at:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Estimated Fair Value | % of Total |
| | (Dollars in millions) | | | |
| Common stock | $1,037 | 72.0 % | $2,035 | 81.0 % |
| Non-redeemable preferred stock | 403 | 28.0 | 478 | 19.0 |
| Total equity securities | $1,440 | 100.0% | $2,513 | 100.0% |

In connection with the adoption of new guidance related to the recognition and measurement of financial instruments (see Note 1), effective January 1, 2018, the Company has reclassified its investment in common stock in FHLB from equity securities to other invested assets. These investments are carried at redemption value and are considered restricted investments until redeemed by the respective FHLBanks. The carrying value of these investments at December 31, 2017 was $792 million.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

Mortgage Loans
Mortgage Loans by Portfolio Segment
Mortgage loans are summarized as follows at:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Carrying Value | % of Total | Carrying Value | % of Total |
| | (Dollars in millions) | | | |
| Mortgage loans: | | | | |
| Commercial | $48,463 | 64.0 % | $44,375 | 64.6 % |
| Agricultural | 14,905 | 19.7 | 13,014 | 18.9 |
| Residential | 12,427 | 16.4 | 11,136 | 16.2 |
| Total recorded investment | 75,795 | 100.1 | 68,525 | 99.7 |
| Valuation allowances | (342 ) | (0.5 ) | (314 ) | (0.5 ) |
| Subtotal mortgage loans, net | 75,453 | 99.6 | 68,211 | 99.2 |
| Residential — FVO | 299 | 0.4 | 520 | 0.8 |
| Total mortgage loans, net | $75,752 | 100.0 % | $68,731 | 100.0 % |

Information on commercial, agricultural and residential mortgage loans is presented in the tables below. Information on residential mortgage loans — FVO is presented in Note 10. The Company elects the FVO for certain residential mortgage loans that are managed on a total return basis.
The amount of net discounts, included within total recorded investment, is primarily attributable to residential mortgage loans, and at December 31, 2018 and 2017 was $944 million and $1.1 billion, respectively.
The carrying value of foreclosed mortgage loans included in real estate and real estate joint ventures was $45 million and $48 million at December 31, 2018 and 2017, respectively.
Purchases of mortgage loans, primarily residential, were $3.5 billion, $3.1 billion and $2.9 billion for the years ended December 31, 2018, 2017 and 2016, respectively.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

Mortgage Loans, Valuation Allowance and Impaired Loans by Portfolio Segment
Mortgage loans by portfolio segment, by method of evaluation of credit loss, impaired mortgage loans including those modified in a troubled debt restructuring, and the related valuation allowances, were as follows at and for the years ended:

| | Evaluated Individually for Credit Losses | | | | | Evaluated Collectively for Credit Losses | | Impaired Loans | |
|---|---|---|---|---|---|---|---|---|---|
| | Impaired Loans with a Valuation Allowance | | | Impaired Loans without a Valuation Allowance | | | | | |
| | Unpaid Principal Balance | Recorded Investment | Valuation Allowances | Unpaid Principal Balance | Recorded Investment | Recorded Investment | Valuation Allowances | Carrying Value | Average Recorded Investment |
| | (In millions) | | | | | | | | |
| December 31, 2018 | | | | | | | | | |
| Commercial | $— | $ — | $ — | $— | $ — | $48,463 | $ 238 | $— | $ — |
| Agricultural | 31 | 31 | 3 | 169 | 169 | 14,705 | 43 | 197 | 123 |
| Residential | — | — | — | 431 | 386 | 12,041 | 58 | 386 | 358 |
| Total | $31 | $ 31 | $ 3 | $600 | $ 555 | $75,209 | $ 339 | $583 | $ 481 |
| December 31, 2017 | | | | | | | | | |
| Commercial | $— | $ — | $ — | $— | $ — | $44,375 | $ 214 | $— | $ 5 |
| Agricultural | 22 | 21 | 2 | 27 | 27 | 12,966 | 39 | 46 | 32 |
| Residential | — | — | — | 358 | 324 | 10,812 | 59 | 324 | 285 |
| Total | $22 | $ 21 | $ 2 | $385 | $ 351 | $68,153 | $ 312 | $370 | $ 322 |

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $90 million, $49 million and $188 million, respectively, for the year ended December 31, 2016.
Valuation Allowance Rollforward by Portfolio Segment
The changes in the valuation allowance, by portfolio segment, were as follows:

| | Commercial | Agricultural | Residential | Total |
|---|---|---|---|---|
| | (In millions) | | | |
| Balance at January 1, 2016 | $188 | $ 37 | $ 56 | $281 |
| Provision (release) (1) | 157 | 3 | 23 | 183 |
| Charge-offs, net of recoveries (1) | (143 ) | (1 ) | (16 ) | (160 ) |
| Balance at December 31, 2016 | 202 | 39 | 63 | 304 |
| Provision (release) | 12 | 4 | 8 | 24 |
| Charge-offs, net of recoveries | — | (2 ) | (12 ) | (14 ) |
| Balance at December 31, 2017 | 214 | 41 | 59 | 314 |
| Provision (release) | 24 | 5 | 7 | 36 |
| Charge-offs, net of recoveries | — | — | (8 ) | (8 ) |
| Balance at December 31, 2018 | $238 | $ 46 | $ 58 | $342 |

(1) In connection with an acquisition in 2010, certain impaired commercial mortgage loans were acquired and accordingly, were not originated by the Company. Such commercial mortgage loans have been accounted for as purchased credit impaired (“PCI”) commercial mortgage loans. Decreases in cash flows expected to be collected on PCI commercial mortgage loans can result in provisions for losses on mortgage loans. For the year ended

December 31, 2016, in connection with the maturity of an acquired PCI commercial mortgage loan, an increase to the commercial mortgage loan valuation allowance of $143 million was recorded and charged-off upon maturity. The Company has recovered a substantial portion of the loss on the loan incurred through an indemnification agreement entered into in connection with the acquisition in 2010.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

Valuation Allowance Methodology
Mortgage loans are considered to be impaired when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under the loan agreement. Specific valuation allowances are established using the same methodology for all three portfolio segments as the excess carrying value of a 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. A common evaluation framework is used for establishing non-specific valuation allowances for all loan portfolio segments; however, a separate non-specific valuation allowance is calculated and maintained for each loan portfolio segment that is based on inputs unique to each loan portfolio segment. Non-specific valuation allowances are established 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 credit loss. These evaluations are based upon several loan portfolio segment-specific factors, including the Company's experience with loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations are revised as conditions change and new information becomes available.
Commercial and Agricultural Mortgage Loan Portfolio Segments
The Company typically uses several years of historical experience in establishing non-specific valuation allowances which capture multiple economic cycles. For evaluations of commercial mortgage loans, in addition to historical experience, management considers factors that include the impact of a rapid change to the economy, which may not be reflected in the loan portfolio, and recent loss and recovery trend experience as compared to historical loss and recovery experience. For evaluations of agricultural mortgage loans, in addition to historical experience, management considers factors that include increased stress in certain sectors, which may be evidenced by higher delinquency rates, or a change in the number of higher risk loans. On a quarterly basis, management incorporates the impact of these current market events and conditions on historical experience in determining the non-specific valuation allowance established for commercial and agricultural mortgage loans.
All commercial mortgage loans are reviewed on an ongoing basis which 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, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. All agricultural mortgage loans are monitored on an ongoing basis. The monitoring process for agricultural mortgage loans is generally similar to the commercial mortgage loan monitoring process, with a focus on higher risk loans, including reviews on a geographic and property-type basis. Higher risk loans are reviewed individually on an ongoing basis for potential credit loss and specific valuation allowances are established using the methodology described above. Quarterly, the remaining loans are reviewed on a pool basis by aggregating groups of loans that have similar risk characteristics for potential credit loss, and non-specific valuation allowances are established as described above using inputs that are unique to each segment of the loan portfolio.
For commercial mortgage loans, the primary credit quality indicator is the debt service coverage ratio, which compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. The Company also reviews the loan-to-value ratio of its commercial mortgage loan portfolio. Loan-to-value ratios compare the unpaid principal balance of the loan to the estimated fair value of the underlying collateral. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio and the values utilized in calculating the ratio are updated annually on a rolling basis, with a portion of the portfolio updated each quarter. In addition, the loan-to-value ratio is routinely updated for all but the lowest risk loans as part of the Company's ongoing review of its commercial mortgage loan portfolio.

For agricultural mortgage loans, the Company’s primary credit quality indicator is the loan-to-value ratio. The values utilized in calculating this ratio are developed in connection with the ongoing review of the agricultural mortgage loan portfolio and are routinely updated.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

Residential Mortgage Loan Portfolio Segment
The Company’s residential mortgage loan portfolio is comprised primarily of closed end, amortizing residential mortgage loans. For evaluations of residential mortgage loans, the key inputs of expected frequency and expected loss reflect current market conditions, with expected frequency adjusted, when appropriate, for differences from market conditions and the Company’s historical experience. In contrast to the commercial and agricultural mortgage loan portfolios, residential mortgage loans are smaller-balance homogeneous loans that are collectively evaluated for impairment. Non-specific valuation allowances are established using the evaluation framework described above for pools of loans with similar risk characteristics from inputs that are unique to the residential segment of the loan portfolio. Loan specific valuation allowances are only established on residential mortgage loans when they have been restructured and are established using the methodology described above for all loan portfolio segments.
For residential mortgage loans, the Company’s primary credit quality indicator is whether the loan is performing or nonperforming. The Company generally defines nonperforming residential mortgage loans as those that are 60 or more days past due and/or in nonaccrual status which is assessed monthly. Generally, nonperforming residential mortgage loans have a higher risk of experiencing a credit loss.
Credit Quality of Commercial Mortgage Loans
The credit quality of commercial mortgage loans was as follows at:

| | Recorded Investment | | | | | | |
|---|---|---|---|---|---|---|---|
| | Debt Service Coverage Ratios | | | | | | |
| | > 1.20x | 1.00x - 1.20x | < 1.00x | Total | % of Total | Estimated Fair Value | % of Total |
| | (Dollars in millions) | | | | | | |
| December 31, 2018 | | | | | | | |
| Loan-to-value ratios: | | | | | | | |
| Less than 65% | $40,360 | $ 827 | $ 101 | $41,288 | 85.2 % | $ 41,599 | 85.3 % |
| 65% to 75% | 5,790 | — | 25 | 5,815 | 12.0 | 5,849 | 12.0 |
| 76% to 80% | 423 | 209 | 56 | 688 | 1.4 | 664 | 1.4 |
| Greater than 80% | 496 | 176 | — | 672 | 1.4 | 635 | 1.3 |
| Total | $47,069 | $ 1,212 | $ 182 | $48,463 | 100.0% | $ 48,747 | 100.0% |
| December 31, 2017 | | | | | | | |
| Loan-to-value ratios: | | | | | | | |
| Less than 65% | $37,073 | $ 1,483 | $ 201 | $38,757 | 87.4 % | $ 39,528 | 87.7 % |
| 65% to 75% | 4,183 | 98 | 119 | 4,400 | 9.9 | 4,408 | 9.8 |
| 76% to 80% | 235 | 210 | 57 | 502 | 1.1 | 476 | 1.0 |
| Greater than 80% | 401 | 168 | 147 | 716 | 1.6 | 672 | 1.5 |
| Total | $41,892 | $ 1,959 | $ 524 | $44,375 | 100.0% | $ 45,084 | 100.0% |

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

Credit Quality of Agricultural Mortgage Loans
The credit quality of agricultural mortgage loans was as follows at:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Recorded Investment | % of Total | Recorded Investment | % of Total |
| | (Dollars in millions) | | | |
| Loan-to-value ratios: | | | | |
| Less than 65% | $13,704 | 92.0 % | $12,347 | 94.9 % |
| 65% to 75% | 1,145 | 7.7 | 618 | 4.7 |
| 76% to 80% | 33 | 0.2 | 40 | 0.3 |
| Greater than 80% | 23 | 0.1 | 9 | 0.1 |
| Total | $14,905 | 100.0% | $13,014 | 100.0% |

The estimated fair value of agricultural mortgage loans was $14.9 billion and $13.1 billion at December 31, 2018 and 2017, respectively.
Credit Quality of Residential Mortgage Loans
The credit quality of residential mortgage loans was as follows at:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Recorded Investment | % of Total | Recorded Investment | % of Total |
| | (Dollars in millions) | | | |
| Performance indicators: | | | | |
| Performing | $11,956 | 96.2 % | $10,622 | 95.4 % |
| Nonperforming (1) | 471 | 3.8 | 514 | 4.6 |
| Total | $12,427 | 100.0% | $11,136 | 100.0% |

(1) Includes residential mortgage loans in process of foreclosure of $140 million and $133 million at December 31, 2018 and 2017, respectively.

The estimated fair value of residential mortgage loans was $12.7 billion and $11.6 billion at December 31, 2018 and 2017, respectively.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

Past Due and Nonaccrual Mortgage Loans
The Company has a high quality, well performing mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both December 31, 2018 and 2017. The Company defines delinquency consistent with industry practice, when mortgage loans are past due as follows: commercial and residential mortgage loans — 60 days and agricultural mortgage loans — 90 days. The past due and nonaccrual mortgage loans at recorded investment, prior to valuation allowances, by portfolio segment, were as follows at:

| | Past Due | | Greater than 90 Days Past Due and Still Accruing Interest | | Nonaccrual | |
|---|---|---|---|---|---|---|
| | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| | (In millions) | | | | | |
| Commercial | $ 9 | $ — | $ 9 | $ — | $ 176 | $ — |
| Agricultural | 204 | 134 | 109 | 125 | 105 | 36 |
| Residential | 471 | 514 | 35 | 33 | 436 | 481 |
| Total | $ 684 | $ 648 | $ 153 | $ 158 | $ 717 | $ 517 |

Mortgage Loans Modified in a Troubled Debt Restructuring
The Company may grant concessions related to borrowers experiencing financial difficulties, which are classified as troubled debt restructurings. Generally, the types of concessions include: reduction of the contractual interest rate, extension of the maturity date at an interest rate lower than current market interest rates, and/or a reduction of accrued interest. The amount, timing and extent of the concessions granted are considered in determining any impairment or changes in the specific valuation allowance recorded with the restructuring. Through the continuous monitoring process, a specific valuation allowance may have been recorded prior to the quarter when the mortgage loan is modified in a troubled debt restructuring.
For the year ended December 31, 2018, the Company had 440 residential mortgage loans modified in a troubled debt restructuring with carrying value of $96 million and $92 million pre-modification and post-modification, respectively. For the year ended December 31, 2017, the Company had 500 residential mortgage loans modified in a troubled debt restructuring with carrying value of $120 million and $108 million pre-modification and post-modification, respectively. For the years ended December 31, 2018 and 2017, the Company did not have a significant amount of agricultural mortgage loans and no commercial mortgage loans modified in a troubled debt restructuring.
For both the years ended December 31, 2018 and 2017, the Company did not have a significant amount of mortgage loans modified in a troubled debt restructuring with subsequent payment default.
Other Invested Assets
Other invested assets is comprised primarily of freestanding derivatives with positive estimated fair values (see Note 9), tax credit and renewable energy partnerships, annuities funding structured settlement claims, leveraged and direct financing leases and operating joint ventures.
Tax Credit Partnerships
The carrying value of tax credit partnerships was $1.7 billion and $1.8 billion at December 31, 2018 and 2017, respectively. Losses from tax credit partnerships included within net investment income were $257 million, $259 million, and $167 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Leveraged and Direct Financing Leases

Investment in leveraged and direct financing leases consisted of the following at:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Leveraged Leases | Direct Financing Leases | Leveraged Leases | Direct Financing Leases |
| | (In millions) | | | |
| Rental receivables, net | $715 | $ 1,855 | $912 | $ 2,303 |
| Estimated residual values | 807 | 42 | 838 | 42 |
| Subtotal | 1,522 | 1,897 | 1,750 | 2,345 |
| Unearned income | (414 ) | (705 ) | (472 ) | (1,022 ) |
| Investment in leases | $1,108 | $ 1,192 | $1,278 | $ 1,323 |

Rental receivables are generally due in periodic installments. The payment periods for leveraged leases generally range from one to 15 years but in certain circumstances can be over 25 years, while the payment periods for direct financing leases generally range from one to 25 years but in certain circumstances can be over 25 years. For rental receivables, the primary credit quality indicator is whether the rental receivable is performing or nonperforming, which is assessed monthly. The Company generally defines nonperforming rental receivables as those that are 90 days or more past due. At both December 31, 2018 and 2017, all leveraged lease receivables were performing and over 99% of direct financing rental receivables were performing.

The Company's deferred income tax liability related to leveraged leases was $519 million and $934 million at December 31, 2018 and 2017, respectively.

The components of income from investment in leveraged and direct financing leases, excluding net investment gains (losses), were as follows:

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2016 | |
| | Leveraged Leases | Direct Financing Leases | Leveraged Leases | Direct Financing Leases | Leveraged Leases | Direct Financing Leases |
| | (In millions) | | | | | |
| Lease investment income | $47 | $ 95 | $ 19 | $ 89 | $ 51 | $ 51 |
| Less: Income tax expense | 10 | 20 | 7 | 31 | 18 | 18 |
| Lease investment income, net of income tax | $37 | $ 75 | $ 12 | $ 58 | $ 33 | $ 33 |

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was $9.0 billion and $6.2 billion at December 31, 2018 and 2017, respectively.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity securities AFS, equity securities and derivatives and the effect on DAC, VOBA, DSI, future policy benefits and the policyholder dividend obligation that would result from the realization of the unrealized gains (losses) are included in net unrealized investment gains (losses) in AOCI.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

The components of net unrealized investment gains (losses) included in AOCI were as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Fixed maturity securities AFS | $11,356 | $22,645 | $20,330 |
| Fixed maturity securities AFS with noncredit OTTI losses included in AOCI | 25 | 41 | 8 |
| Total fixed maturity securities AFS | 11,381 | 22,686 | 20,338 |
| Equity securities | — | 421 | 485 |
| Derivatives | 2,127 | 1,453 | 2,923 |
| Other | 290 | 46 | 23 |
| Subtotal | 13,798 | 24,606 | 23,769 |
| Amounts allocated from: | | | |
| Future policy benefits | 31 | (77) | (1,114) |
| DAC and VOBA related to noncredit OTTI losses recognized in AOCI | — | — | (3) |
| DAC, VOBA and DSI | (1,231) | (1,768) | (1,430) |
| Policyholder dividend obligation | (428) | (2,121) | (1,931) |
| Subtotal | (1,628) | (3,966) | (4,478) |
| Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI | (3) | (12) | (1) |
| Deferred income tax benefit (expense) | (3,502) | (6,958) | (6,634) |
| Net unrealized investment gains (losses) | 8,665 | 13,670 | 12,656 |
| Net unrealized investment gains (losses) attributable to noncontrolling interests | (10) | (8) | (6) |
| Net unrealized investment gains (losses) attributable to MetLife, Inc. | $8,655 | $13,662 | $12,650 |

Net unrealized investment gains (losses) attributable to MetLife, Inc. in the above table include, on a net of income tax basis, $1,250 million for the year ended December 31, 2016, related to assets and liabilities of a disposed subsidiary.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Balance at January 1, | $13,662 | $12,650 | $11,769 |
| Cumulative effects of changes in accounting principles, net of income tax (Note 1) | 1,258 | — | — |
| Fixed maturity securities AFS on which noncredit OTTI losses have been recognized | (16) | 33 | 84 |
| Unrealized investment gains (losses) during the year | (10,367) | 804 | 2,544 |
| Unrealized investment gains (losses) relating to: | | | |
| Future policy benefits | 108 | 1,037 | (951) |
| DAC and VOBA related to noncredit OTTI losses recognized in AOCI | — | 3 | (3) |
| DAC, VOBA and DSI | 537 | (338) | (157) |
| Policyholder dividend obligation | 1,693 | (190) | (148) |
| Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI | 9 | (11) | (28) |
| Deferred income tax benefit (expense) | 1,773 | (324) | (485) |
| Net unrealized investment gains (losses) | 8,657 | 13,664 | 12,625 |
| Net unrealized investment gains (losses) attributable to noncontrolling interests | (2) | (2) | 25 |
| Balance at December 31, | $8,655 | $13,662 | $12,650 |
| Change in net unrealized investment gains (losses) | $(5,005) | $1,014 | $856 |
| Change in net unrealized investment gains (losses) attributable to noncontrolling interests | (2) | (2) | 25 |
| Change in net unrealized investment gains (losses) attributable to MetLife, Inc. | $(5,007) | $1,012 | $881 |

Net unrealized investment gains (losses) attributable to MetLife, Inc. in the above table include, on a net of income tax basis, ($304) million for the year ended December 31, 2016, related to assets and liabilities of a disposed subsidiary.

Concentrations of Credit Risk

Investments in any counterparty that were greater than 10% of the Company’s equity, other than the U.S. government and its agencies, were in fixed income securities of the Japanese government and its agencies with an estimated fair value of $30.2 billion and $27.5 billion at December 31, 2018 and 2017, respectively, and in fixed income securities of the South Korean government and its agencies with an estimated fair value of $7.1 billion and $6.5 billion at December 31, 2018 and 2017, respectively.

Securities Lending and Repurchase Agreements

Securities, Collateral and Reinvestment Portfolio

A summary of the securities lending and repurchase agreements transactions is as follows:

| | December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | 2017 | | | |
| | Securities on Loan (1) | | | | Securities on Loan (1) | | | |
| | Amortized Cost | Estimated Fair Value | Cash Collateral Received from Counterparties (2) (3) | Reinvestment Portfolio at Estimated Fair Value | Amortized Cost | Estimated Fair Value | Cash Collateral Received from Counterparties (2) (3) | Reinvestment Portfolio at Estimated Fair Value |
| | (In millions) | | | | | | | |
| Securities lending | $16,969 | $17,724 | $ 18,005 | $18,074 | $17,801 | $19,028 | $ 19,417 | $ 19,508 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Repurchase agreements | $ 1,033 | $ 1,093 | $ 1,067 | $ 1,069 | $ 994 | $ 1,141 | $ 1,102 | $ 1,102 |

262

(1) Securities on loan in connection with securities lending are included within fixed maturities securities AFS and securities on loan in connection with repurchase agreements are included within fixed maturities securities AFS, cash equivalents and short-term investments.

(2) In connection with securities lending, in addition to cash collateral received, the Company received from counterparties security collateral of $78 million and $19 million at December 31, 2018 and 2017, respectively, which may not be sold or re-pledged, unless the counterparty is in default, and is not reflected on the consolidated financial statements.

(3) The securities lending liability for cash collateral is included within payables for collateral under securities loaned and other transactions, and the repurchase agreements liability for cash collateral is included within payables for collateral under securities loaned and other transactions and other liabilities.

Contractual Maturities

A summary of the remaining contractual maturities of securities lending agreements and repurchase agreements is as follow:

| | December 31, 2018 Remaining Maturities of the Agreements | | | | 2017 Remaining Maturities of the Agreements | | | |
|---|---|---|---|---|---|---|---|---|
| | Open (1) | 1 Month or Less | Over 1 to 6 Months | Total | Open (1) | 1 Month or Less | Over 1 to 6 Months | Total |
| | (In millions) | | | | | | | |
| Cash collateral liability by loaned security type: | | | | | | | | |
| Securities lending: | | | | | | | | |
| U.S. government and agency | $2,736 | $ 8,995 | $ 5,220 | $ 16,951 | $ 3,753 | $ 6,031 | $ 8,607 | $ 18,391 |
| Foreign government | — | 214 | 761 | 975 | — | 192 | 834 | 1,026 |
| Agency RMBS | — | 79 | — | 79 | — | — | — | — |
| Total | $2,736 | $ 9,288 | $ 5,981 | $ 18,005 | $ 3,753 | $ 6,223 | $ 9,441 | $ 19,417 |
| Repurchase agreements: | | | | | | | | |
| U.S. government and agency | $— | $ 1,000 | $— | $ 1,000 | $— | $ 1,005 | $— | $ 1,005 |
| All other corporate and government | — | — | 67 | 67 | — | 44 | 53 | 97 |
| Total | $— | $ 1,000 | $ 67 | $ 1,067 | $— | $ 1,049 | $ 53 | $ 1,102 |

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(1) The related loaned security could be returned to the Company on the next business day, which would require the Company to immediately return the cash collateral.

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized under normal market conditions, or both. The estimated fair value of the securities on loan related to the cash collateral on open at December 31, 2018 was $2.7 billion, all of which were U.S. government and agency securities which, if put back to the Company, could be immediately sold to satisfy the cash requirement.

The securities lending and repurchase agreements reinvestment portfolios acquired with the cash collateral consisted principally of high quality, liquid, publicly-traded fixed maturity securities AFS, short-term investments, cash equivalents or held in cash. If the securities on loan 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 on loan are put back to the Company.

263

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

FHLB of Boston Advance Agreements

At December 31, 2018 and 2017, a subsidiary of the Company had pledged municipals with an estimated fair value of $1.2 billion and $564 million, respectively, as collateral and received $800 million and $300 million, respectively, in cash advances under short-term advance agreements with the FHLB of Boston. The liability to return the cash advances is included within payables for collateral under securities loaned and other transactions. The estimated fair value of the reinvestment portfolio acquired with the cash advances was $799 million and $300 million at December 31, 2018 and 2017, respectively, and consisted primarily of U.S. government and agency securities and Structured Securities. At December 31, 2018 and 2017, the reinvestment portfolio also included a $33 million and $12 million, at redemption value, required investment in FHLB of Boston common stock. The subsidiary is permitted to withdraw any portion of the pledged collateral over the minimum collateral requirement at any time, other than in the event of a default by the subsidiary.

The cash advance liability by loaned security type and remaining contractual maturities of the agreements was as follows at:

| | December 31, 2018 Remaining Maturities of the Agreements | | | | December 31, 2017 Remaining Maturities of the Agreements | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 Month or Less | Over 1 to 6 Months | 6 Months to 1 Year | Total | 1 Month or Less | Over 1 to 6 Months | 6 Months to 1 Year | Total |
| | (In millions) | | | | | | | |
| Cash advance liability by loaned security type: | | | | | | | | |
| Municipals | $150 | $ 650 | $ — | $800 | $ — | $ 300 | $ — | $300 |

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

Invested assets on deposit, held in trust and pledged as collateral are presented below at estimated fair value for all asset classes, except mortgage loans, which are presented at carrying value at:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Invested assets on deposit (regulatory deposits) | $1,788 | $1,879 |
| Invested assets held in trust (collateral financing arrangement and reinsurance agreements) | 2,971 | 2,490 |
| Invested assets pledged as collateral (1) | 24,168 | 24,174 |
| Total invested assets on deposit, held in trust and pledged as collateral | $28,927 | $28,543 |

(1) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Note 4), derivative transactions (see Note 9), secured debt (see Note 12), and a collateral financing arrangement (see Note 13).

See "— Securities Lending and Repurchase Agreements" for information regarding securities supporting securities lending and repurchase agreement transactions and Note 7 for information regarding investments designated to the closed block. In addition, the restricted investment in FHLB common stock was $793 million and $792 million, at redemption value, at December 31, 2018 and 2017, respectively (see Note 1).

Purchased Credit Impaired Investments

Investments acquired with evidence of credit quality deterioration since origination and for which it is probable at the acquisition date that the Company will be unable to collect all contractually required payments are classified as PCI investments. For each investment, the excess of the cash flows expected to be collected as of the acquisition date over its acquisition date fair value is referred to as the accretable yield and is recognized as net investment income on an effective yield basis. If, subsequently, based on current information and events, it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected to be collected, the accretable yield is adjusted prospectively. The excess of the contractually required payments (including interest) as of the acquisition date over the cash flows expected to be collected as of the acquisition date is referred to as the nonaccretable difference, and this amount is not expected to be realized as net investment income. Decreases in cash flows expected to be collected can result in OTTI.

The Company's PCI investments had an outstanding principal balance of $4.0 billion and $4.8 billion at December 31, 2018 and 2017, respectively, which represents the contractually required principal and accrued interest payments whether or not currently due and a carrying value (estimated fair value of the investments plus accrued interest) of $3.3 billion and $4.0 billion at December 31, 2018 and 2017, respectively. Accretion of accretable yield on PCI investments recognized in earnings in net investment income was $275 million and $281 million for the years ended December 31, 2018 and 2017, respectively. Purchases of PCI investments were insignificant in both of the years ended December 31, 2018 and 2017.

Collectively Significant Equity Method Investments

The Company holds investments in real estate joint ventures, real estate funds and other limited partnership interests consisting of leveraged buy-out funds, hedge funds, private equity funds, joint ventures and other funds. The portion of these investments accounted for under the equity method had a carrying value of $14.7 billion at December 31, 2018. The Company's maximum exposure to loss related to these equity method investments is limited to the carrying value of these investments plus unfunded commitments of $5.3 billion at December 31, 2018. Except for certain real estate joint ventures and certain funds, the Company's investments in its remaining real estate funds and other limited partnership interests are generally of a passive nature in that the Company does not participate in the management of the entities.

As described in Note 1, the Company generally records its share of earnings in its equity method investments using a three-month lag methodology and within net investment income. Aggregate net investment income from these equity method investments exceeded 10% of the Company's consolidated pre-tax income (loss) from continuing operations for two of the three most recent annual periods: 2017 and 2016. The Company is providing the following aggregated summarized financial data for such equity method investments, for the most recent annual periods, in order to provide comparative information. This aggregated summarized financial data does not represent the Company's proportionate share of the assets, liabilities, or earnings of such entities.

The aggregated summarized financial data presented below reflects the latest available financial information and is as of, and for, the years ended December 31, 2018, 2017 and 2016. Aggregate total assets of these entities totaled $529.1 billion and $505.6 billion at December 31, 2018 and 2017, respectively. Aggregate total liabilities of these entities totaled $65.5 billion and $68.9 billion at December 31, 2018 and 2017, respectively. Aggregate net income (loss) of these entities totaled $52.5 billion, $37.9 billion and $26.8 billion for the years ended December 31, 2018, 2017 and 2016, respectively, with $270 million related to Brighthouse for the year ended December 31, 2016. Aggregate net income (loss) from the underlying entities in which the Company invests is primarily comprised of investment income, including recurring investment income and realized and unrealized investment gains (losses).

Variable Interest Entities

The Company has invested in legal entities that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary beneficiary or consolidator of the entity. The determination of the VIE's primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with or involvement in the entity, an estimate of the entity's expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

Consolidated VIEs
Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment.
The following table presents the total assets and total liabilities relating to investment related VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Total Assets | Total Liabilities | Total Assets | Total Liabilities |
| | (In millions) | | | |
| Renewable energy partnership (1) | $ 102 | $ — | $ 116 | $ 3 |
| Investment funds (2) | 79 | 1 | — | — |
| Other investments (1) | 21 | 5 | 32 | 6 |
| Total | $ 202 | $ 6 | $ 148 | $ 9 |

(1) Assets of the renewable energy partnership and other investments primarily consisted of other invested assets.
(2) Assets of the investment funds primarily consisted of cash and cash equivalents.

Unconsolidated VIEs
The carrying amount and maximum exposure to loss relating to VIEs in which the Company holds a significant variable interest but is not the primary beneficiary and which have not been consolidated were as follows at:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Carrying Amount | Maximum Exposure to Loss (1) | Carrying Amount | Maximum Exposure to Loss (1) |
| | (In millions) | | | |
| Fixed maturity securities AFS: | | | | |
| Structured Securities (2) | $ 47,874 | $ 47,874 | $ 47,614 | $ 47,614 |
| U.S. and foreign corporate | 932 | 932 | 1,560 | 1,560 |
| Other limited partnership interests | 5,641 | 9,888 | 4,834 | 8,543 |
| Other invested assets | 1,906 | 2,063 | 2,291 | 2,625 |
| Other investments | 296 | 300 | 82 | 87 |
| Total | $ 56,649 | $ 61,057 | $ 56,381 | $ 60,429 |

(1) The maximum exposure to loss relating to fixed maturity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests is equal to the carrying amounts plus any unfunded commitments. For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are guaranteed by creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of $94 million and $117 million at December 31, 2018 and 2017, respectively. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.
(2) For these variable interests, the Company's involvement is limited to that of a passive investor in mortgage-backed or asset-backed securities issued by trusts that do not have substantial equity.

266

As described in Note 20, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during each of the years ended December 31, 2018, 2017 and 2016.

During 2018 and 2017, the Company securitized certain residential mortgage loans and acquired an interest in the related RMBS issued. While the Company has a variable interest in the issuer of the securities, it is not the primary beneficiary of the issuer of the securities since it does not have any rights to remove the servicer or veto rights over the servicer's actions. The carrying value and the estimated fair value of mortgage loans were $451 million and $478 million, respectively, for loans sold during 2018, and $319 million and $339 million, respectively, for loans sold during 2017. Gains on securitizations of $27 million and $20 million during the years ended December 31, 2018 and 2017, respectively, were included within net investment gains (losses). The estimated fair value of RMBS acquired in connection with the securitizations was $98 million and $52 million at December 31, 2018 and 2017, respectively, which was included in the carrying amount and maximum exposure to loss for Structured Securities presented above. See Note 10 for information on how the estimated fair value of mortgage loans and RMBS is determined, the valuation approaches and key inputs, their placement in the fair value hierarchy, and for certain RMBS, quantitative information about the significant unobservable inputs and the sensitivity of their estimated fair value to changes in those inputs.

Net Investment Income

The components of net investment income were as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Investment income: | | | |
| Fixed maturity securities AFS | $11,946 | $11,497 | $11,721 |
| Equity securities | 64 | 129 | 121 |
| FVO Securities (1) | 51 | 68 | 37 |
| Mortgage loans | 3,340 | 3,082 | 2,858 |
| Policy loans | 506 | 517 | 511 |
| Real estate and real estate joint ventures | 694 | 646 | 652 |
| Other limited partnership interests | 731 | 798 | 478 |
| Cash, cash equivalents and short-term investments | 387 | 228 | 153 |
| Operating joint ventures | 51 | 28 | 33 |
| Other | 364 | 192 | 248 |
| Subtotal | 18,134 | 17,185 | 16,812 |
| Less: Investment expenses | 1,285 | 1,122 | 972 |
| Subtotal, net | 16,849 | 16,063 | 15,840 |
| Unit-linked investments (1) | (683) | 1,300 | 950 |
| Net investment income | $16,166 | $17,363 | $16,790 |

(1) Changes in estimated fair value subsequent to purchase for investments still held as of the end of the respective periods included in net investment income were principally from Unit-linked investments, and were ($771) million, $662 million and $427 million for the years ended December 31, 2018, 2017, and 2016, respectively.

The Company invests in real estate joint ventures, other limited partnership interests and tax credit and renewable energy partnerships, and also does business through certain operating joint ventures, the majority of which are accounted for under the equity method. Net investment income from other limited partnership interests and operating joint ventures, accounted for under the equity method; and real estate joint ventures and tax credit and renewable energy partnerships, primarily accounted for under the equity method, totaled $592 million, $495 million and $337 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

Net Investment Gains (Losses)
Components of Net Investment Gains (Losses)
The components of net investment gains (losses) were as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Total gains (losses) on fixed maturity securities AFS: | | | |
| Total OTTI losses recognized — by sector and industry: | | | |
| U.S. and foreign corporate securities — by industry: | | | |
| Consumer | $(20) | $(4) | $— |
| Finance | (9) | — | — |
| Industrial | (2) | — | (63) |
| Utility | — | — | (21) |
| Communications | — | — | (3) |
| Total U.S. and foreign corporate securities | (31) | (4) | (87) |
| Foreign government | (9) | — | — |
| ABS | — | (3) | (2) |
| RMBS | — | — | (18) |
| Municipals | — | (3) | — |
| OTTI losses on fixed maturity securities AFS recognized in earnings | (40) | (10) | (107) |
| Fixed maturity securities AFS — net gains (losses) on sales and disposals (1) | 45 | 328 | 251 |
| Total gains (losses) on fixed maturity securities AFS | 5 | 318 | 144 |
| Total gains (losses) on equity securities: | | | |
| Total OTTI losses recognized — by security type: | | | |
| Common stock | — | (24) | (75) |
| Non-redeemable preferred stock | — | (1) | — |
| OTTI losses on equity securities recognized in earnings | — | (25) | (75) |
| Equity securities — net gains (losses) on sales and disposals | 118 | 117 | 19 |
| Change in estimated fair value of equity securities (2) | (193) | — | — |
| Total gains (losses) on equity securities | (75) | 92 | (56) |
| Mortgage loans (1) | (56) | 14 | (231) |
| Real estate and real estate joint ventures | 326 | 603 | 182 |
| Other limited partnership interests | 9 | (59) | (64) |
| Other | (169) | (113) | (130) |
| Subtotal | 40 | 855 | (155) |
| Change in estimated fair value of other limited partnership interests and real estate joint ventures | 12 | — | — |
| Non-investment portfolio gains (losses) (3), (4), (5) | (350) | (1,162) | 471 |
| Other | — | (1) | 1 |
| Subtotal | (338) | (1,163) | 472 |
| Total net investment gains (losses) | $(298) | $(308) | $317 |

(1) Fixed maturity securities AFS — net gains (losses) on sales and disposals and mortgage loans for the year ended December 31, 2017, included $276 million and $47 million, respectively, in previously deferred gains on prior period transfers of such investments to Brighthouse. Such gains are no longer eliminated in consolidation after the

Separation. See Note 3.

268

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

(2) Changes in estimated fair value subsequent to purchase for equity securities still held as of the end of the period included in net investment gains (losses) were ($81) million for the year ended December 31, 2018. See Note 1.

(3) Non-investment portfolio gains (losses) for the year ended December 31, 2018 includes a loss of $327 million which represents both the change in estimated fair value of FVO Brighthouse Common Stock held by the Company through the date of disposal and the loss on disposal in June 2018. Non-investment portfolio gains (losses) for the year ended December 31, 2017 included (i) a loss of $1,016 million which represents a mark-to-market loss on the Company's retained investment in Brighthouse Financial, Inc. at Separation and (ii) a loss of $95 million which represents the change in estimated fair value of FVO Brighthouse Common Stock held by the Company from the date of Separation to December 31, 2017. See Note 3.

(4) Non-investment portfolio gains (losses) for the year ended December 31, 2017 includes a $98 million loss due to the disposition of MetLife Afore. See Note 3.

(5) Non-investment portfolio gains (losses) for the year ended December 31, 2016 includes a gain of $102 million in connection with the U.S. Retail Advisor Force Divestiture. See Note 3.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were ($16) million, ($6) million and $225 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Sales or Disposals and Impairments of Fixed Maturity Securities AFS

Sales of securities are determined on a specific identification basis. Proceeds from sales or disposals and the components of net investment gains (losses) were as shown in the table below:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Proceeds | $85,058 | $56,509 | $86,179 |
| Gross investment gains | $856 | $753 | $1,048 |
| Gross investment losses | (811) | (425) | (797) |
| OTTI losses | (40) | (10) | (107) |
| Net investment gains (losses) | $5 | $318 | $144 |

Credit Loss Rollforward

The table below presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities AFS still held for which a portion of the OTTI loss was recognized in OCI:

| | Years Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Balance at January 1, | $ 138 | $ 187 |
| Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI | (47) | (48) |
| Increase in cash flows — accretion of previous credit loss OTTI | (2) | (1) |
| Balance at December 31, | $ 89 | $ 138 |

269

9. Derivatives
Accounting for Derivatives
See Note 1 for a description of the Company's accounting policies for derivatives and Note 10 for information about the fair value hierarchy for derivatives.
Derivative Strategies
The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.
Derivatives are financial instruments with values derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter ("OTC") market. Certain of the Company's OTC derivatives are cleared and settled through central clearing counterparties ("OTC-cleared"), while others are bilateral contracts between two counterparties ("OTC-bilateral"). The types of derivatives the Company uses include swaps, forwards, futures and option contracts. To a lesser extent, the Company uses credit default swaps and structured interest rate swaps to synthetically replicate investment risks and returns which are not readily available in the cash markets.
Interest Rate Derivatives
The Company uses a variety of interest rate derivatives to reduce its exposure to changes in interest rates, including interest rate swaps, interest rate total return swaps, caps, floors, swaptions, futures and forwards.
Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional amount. The Company utilizes interest rate swaps in fair value, cash flow and nonqualifying hedging relationships.
The Company uses structured interest rate swaps to synthetically create investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and a cash instrument such as a U.S. government and agency, or other fixed maturity securities AFS. Structured interest rate swaps are included in interest rate swaps and are not designated as hedging instruments.
Interest rate total return swaps are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and a benchmark interest rate, calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. Interest rate total return swaps are used by the Company to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). The Company utilizes interest rate total return swaps in nonqualifying hedging relationships.
The Company purchases interest rate caps primarily to protect its floating rate liabilities against rises in interest rates above a specified level and against interest rate exposure arising from mismatches between assets and liabilities and interest rate floors primarily to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level. In certain instances, the Company locks in the economic impact of existing purchased caps and floors by entering into offsetting written caps and floors. The Company utilizes interest rate caps and floors in nonqualifying hedging relationships.
In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts and to pledge initial margin based on futures exchange requirements. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange.
Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the

duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded interest rate futures in nonqualifying hedging relationships.

Swaptions are used by the Company to hedge interest rate risk associated with the Company's long-term liabilities and invested assets. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. The Company utilizes swaptions in nonqualifying hedging relationships. Swaptions are included in interest rate options.

The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. The Company utilizes interest rate forwards in cash flow and nonqualifying hedging relationships.

A synthetic GIC is a contract that simulates the performance of a traditional GIC through the use of financial instruments. Under a synthetic GIC, the contractholder owns the underlying assets. The Company guarantees a rate of return on those assets for a premium. Synthetic GICs are not designated as hedging instruments.

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency exchange rate derivatives, including foreign currency swaps, foreign currency forwards, currency options and exchange-traded currency futures, to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. The Company also uses foreign currency derivatives to hedge the foreign currency exchange rate risk associated with certain of its net investments in foreign operations.

In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in fair value, cash flow and nonqualifying hedging relationships.

In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date. The Company utilizes foreign currency forwards in fair value, net investment in foreign operations and nonqualifying hedging relationships.

The Company enters into currency options that give it the right, but not the obligation, to sell the foreign currency amount in exchange for a functional currency amount within a limited time at a contracted price. The contracts may also be net settled in cash, based on differentials in the foreign currency exchange rate and the strike price. The Company uses currency options to hedge against the foreign currency exposure inherent in certain of its variable annuity products. The Company also uses currency options as an economic hedge of foreign currency exposure related to the Company's non-U.S. subsidiaries. The Company utilizes currency options in net investment in foreign operations and nonqualifying hedging relationships.

To a lesser extent, the Company uses exchange-traded currency futures to hedge currency mismatches between assets and liabilities, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded currency futures in nonqualifying hedging relationships.

Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional amount in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations and involuntary restructuring for corporate obligors, as well as repudiation, moratorium or governmental intervention for sovereign obligors. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. ("ISDA") deems that a credit event has occurred. The Company utilizes credit default swaps in nonqualifying hedging relationships.

271

The Company enters into written credit default swaps to synthetically create credit investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instruments, such as U.S. government and agency, or other fixed maturity securities AFS. These credit default swaps are not designated as hedging instruments.

The Company also entered into certain purchased and written credit default swaps held in relation to trading portfolios for the purpose of generating profits on short-term differences in price. These credit default swaps were not designated as hedging instruments. As of December 31, 2016, the Company no longer maintained a trading portfolio for derivatives.

The Company enters into forwards to lock in the price to be paid for forward purchases of certain securities. The price is agreed upon at the time of the contract and payment for the contract is made at a specified future date. When the primary purpose of entering into these transactions is to hedge against the risk of changes in purchase price due to changes in credit spreads, the Company designates these transactions as credit forwards. The Company utilizes credit forwards in cash flow hedging relationships.

Equity Derivatives

The Company uses a variety of equity derivatives to reduce its exposure to equity market risk, including equity index options, equity variance swaps, exchange-traded equity futures and equity total return swaps.

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. To hedge against adverse changes in equity indices, the Company enters into contracts to sell the underlying equity index within a limited time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise and the strike price. Certain of these contracts may also contain settlement provisions linked to interest rates. In certain instances, the Company may enter into a combination of transactions to hedge adverse changes in equity indices within a pre-determined range through the purchase and sale of options. The Company utilizes equity index options in nonqualifying hedging relationships.

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on changes in equity volatility over a defined period. The Company utilizes equity variance swaps in nonqualifying hedging relationships.

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts and to pledge initial margin based on futures exchange requirements. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded equity futures are used primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded equity futures in nonqualifying hedging relationships.

In an equity total return swap, the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and a benchmark interest rate, calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. The Company uses equity total return swaps to hedge its equity market guarantees in certain of its insurance products. Equity total return swaps can be used as hedges or to synthetically create investments. The Company utilizes equity total return swaps in nonqualifying hedging relationships.

Primary Risks Managed by Derivatives

The following table presents the primary underlying risk exposure, gross notional amount, and estimated fair value of the Company's derivatives, excluding embedded derivatives, held at:

| | | December 31, | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2018 | | | 2017 | | |
| | Primary Underlying Risk Exposure | Gross Notional Amount | Estimated Fair Value | | Gross Notional Amount | Estimated Fair Value | |
| | | | Assets | Liabilities | | Assets | Liabilities |
| | | (In millions) | | | | | |
| Derivatives Designated as Hedging Instruments: | | | | | | | |
| Fair value hedges: | | | | | | | |
| Interest rate swaps | Interest rate | $2,446 | $ 2,197 | $ 2 | $3,843 | $ 2,289 | $ 3 |
| Foreign currency swaps | Foreign currency exchange rate | 1,233 | 54 | — | 1,116 | 50 | 18 |
| Foreign currency forwards | Foreign currency exchange rate | 2,140 | 28 | 18 | 3,253 | 2 | 37 |
| Subtotal | | 5,819 | 2,279 | 20 | 8,212 | 2,341 | 58 |
| Cash flow hedges: | | | | | | | |
| Interest rate swaps | Interest rate | 3,515 | 143 | 1 | 3,584 | 235 | 4 |
| Interest rate forwards | Interest rate | 3,022 | — | 216 | 3,332 | — | 128 |
| Foreign currency swaps | Foreign currency exchange rate | 35,931 | 1,796 | 1,831 | 32,152 | 1,142 | 1,665 |
| Subtotal | | 42,468 | 1,939 | 2,048 | 39,068 | 1,377 | 1,797 |
| Foreign operations hedges: | | | | | | | |
| Foreign currency forwards | Foreign currency exchange rate | 960 | 4 | 27 | 332 | 2 | 5 |
| Currency options | Foreign currency exchange rate | 5,137 | 3 | 202 | 9,408 | 44 | 163 |
| Subtotal | | 6,097 | 7 | 229 | 9,740 | 46 | 168 |
| Total qualifying hedges | | 54,384 | 4,225 | 2,297 | 57,020 | 3,764 | 2,023 |
| Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate swaps | Interest rate | 54,891 | 1,796 | 175 | 60,485 | 2,203 | 576 |
| Interest rate floors | Interest rate | 12,701 | 102 | — | 7,201 | 92 | — |
| Interest rate caps | Interest rate | 54,575 | 154 | 1 | 53,079 | 78 | 2 |
| Interest rate futures | Interest rate | 2,353 | 1 | 3 | 4,366 | 2 | 4 |
| Interest rate options | Interest rate | 26,690 | 416 | — | 12,009 | 656 | 11 |
| Interest rate forwards | Interest rate | 234 | 1 | 15 | 217 | — | 42 |
| Interest rate total return swaps | Interest rate | 1,048 | 33 | 2 | 1,048 | 8 | 2 |
| Synthetic GICs | Interest rate | 25,700 | — | — | 11,318 | — | — |
| Foreign currency swaps | Foreign currency exchange rate | 11,388 | 884 | 458 | 9,902 | 693 | 506 |
| Foreign currency forwards | Foreign currency exchange rate | 13,417 | 198 | 213 | 12,238 | 79 | 190 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Currency futures | Foreign currency exchange rate | 847 | 4 | — | 846 | 2 | — |
| Currency options | Foreign currency exchange rate | 2,040 | 7 | — | 3,123 | 55 | 6 |
| Credit default swaps — purchased | Credit | 1,903 | 25 | 39 | 2,020 | 7 | 43 |
| Credit default swaps — written | Credit | 11,391 | 95 | 13 | 11,375 | 271 | — |
| Equity futures | Equity market | 2,992 | 13 | 77 | 4,005 | 18 | 4 |
| Equity index options | Equity market | 27,707 | 884 | 550 | 19,886 | 569 | 690 |
| Equity variance swaps | Equity market | 2,269 | 40 | 87 | 4,661 | 54 | 199 |
| Equity total return swaps | Equity market | 929 | 91 | — | 1,117 | — | 41 |
| Total non-designated or nonqualifying derivatives | | 253,075 | 4,744 | 1,633 | 218,896 | 4,787 | 2,316 |
| Total | | $307,459 | $ 8,969 | $ 3,930 | $275,916 | $ 8,551 | $ 4,339 |

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

Based on gross notional amounts, a substantial portion of the Company's derivatives was not designated or did not qualify as part of a hedging relationship at both December 31, 2018 and 2017. The Company's use of derivatives includes (i) derivatives that serve as macro hedges of the Company's exposure to various risks and that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps and interest rate swaps that are used to synthetically create investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these nonqualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

Net Derivative Gains (Losses)

The components of net derivative gains (losses) were as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Freestanding derivative and hedging gains (losses) (1) | $1,001 | $(1,389) | $(509) |
| Embedded derivative gains (losses) | (150) | 799 | (181) |
| Total net derivative gains (losses) | $851 | $(590) | $(690) |

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and nonqualifying hedging relationships, which are not presented elsewhere in this note.

The following table presents earned income on derivatives:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Qualifying hedges: | | | |
| Net investment income | $360 | $299 | $267 |
| Interest credited to policyholder account balances | (113) | (64) | (1) |
| Other expenses | (11) | (10) | (12) |
| Nonqualifying hedges: | | | |
| Net investment income | — | — | (1) |
| Net derivative gains (losses) | 547 | 551 | 705 |
| Policyholder benefits and claims | 11 | 9 | 7 |
| Total | $794 | $785 | $965 |

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

Nonqualifying Derivatives and Derivatives for Purposes Other Than Hedging
The following table presents the amount and location of gains (losses) recognized in income for derivatives that were not designated or not qualifying as hedging instruments:

| | Net Derivative Gains (Losses) | Net Investment Income (1) | Policyholder Benefits and Claims (2) |
|---|---|---|---|
| | (In millions) | | |
| Year Ended December 31, 2018 | | | |
| Interest rate derivatives | $(158) | $ 4 | $ (6) |
| Foreign currency exchange rate derivatives | 518 | — | (6) |
| Credit derivatives — purchased | 6 | — | — |
| Credit derivatives — written | (132) | — | — |
| Equity derivatives | 360 | 1 | 60 |
| Total | $594 | $ 5 | $ 48 |
| Year Ended December 31, 2017 | | | |
| Interest rate derivatives | $(549) | $ 1 | $ (1) |
| Foreign currency exchange rate derivatives | (742) | — | 5 |
| Credit derivatives — purchased | (24) | — | — |
| Credit derivatives — written | 145 | — | — |
| Equity derivatives | (1,046) | (9) | (252) |
| Total | $(2,216) | $ (8) | $ (248) |
| Year Ended December 31, 2016 | | | |
| Interest rate derivatives | $(990) | $ — | $ 46 |
| Foreign currency exchange rate derivatives | 882 | — | (18) |
| Credit derivatives — purchased | (40) | — | — |
| Credit derivatives — written | 71 | — | — |
| Equity derivatives | (681) | (16) | (138) |
| Total | $(758) | $ (16) | $ (110) |

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures, derivatives held in relation to trading portfolios and derivatives held within Unit-linked investments. As of December 31, 2016, the Company no longer maintained a trading portfolio for derivatives.
(2) Changes in estimated fair value related to economic hedges of variable annuity guarantees included in future policy benefits.

Fair Value Hedges
The Company designates and accounts for the following as fair value hedges when they have met the requirements of fair value hedging: (i) interest rate swaps to convert fixed rate assets and liabilities to floating rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated assets and liabilities; and (iii) foreign currency forwards to hedge the foreign currency fair value exposure of foreign currency denominated investments.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net derivative gains (losses). The following table presents the amount of such net derivative gains (losses):

| Derivatives in Fair Value Hedging Relationships | Hedged Items in Fair Value Hedging Relationships | Net Derivative Gains (Losses) Recognized for Derivatives | Net Derivative Gains (Losses) Recognized for Hedged Items | Ineffectiveness Recognized in Net Derivative Gains (Losses) |
|---|---|---|---|---|
| | | (In millions) | | |
| Year Ended December 31, 2018 | | | | |
| Interest rate swaps: | Fixed maturity securities AFS | $1 | $ (1) | $ — |
| | Policyholder liabilities (1) | (221) | 227 | 6 |
| Foreign currency swaps: | Foreign-denominated fixed maturity securities AFS and mortgage loans | 55 | (57) | (2) |
| | Foreign-denominated policyholder account balances (2) | 23 | (23) | — |
| Foreign currency forwards: | Foreign-denominated fixed maturity securities AFS | 78 | (70) | 8 |
| Total | | $(64) | $ 76 | $ 12 |
| Year Ended December 31, 2017 | | | | |
| Interest rate swaps: | Fixed maturity securities AFS | $4 | $ (4) | $ — |
| | Policyholder liabilities (1) | (69) | 134 | 65 |
| Foreign currency swaps: | Foreign-denominated fixed maturity securities AFS | (27) | 29 | 2 |
| | Foreign-denominated policyholder account balances (2) | 65 | (44) | 21 |
| Foreign currency forwards: | Foreign-denominated fixed maturity securities AFS | 13 | (11) | 2 |
| Total | | $(14) | $ 104 | $ 90 |
| Year Ended December 31, 2016 | | | | |
| Interest rate swaps: | Fixed maturity securities AFS | $7 | $ (9) | $ (2) |
| | Policyholder liabilities (1) | (108) | 90 | (18) |
| Foreign currency swaps: | Foreign-denominated fixed maturity securities AFS | 13 | (12) | 1 |
| | Foreign-denominated policyholder account balances (2) | (95) | 92 | (3) |
| Foreign currency forwards: | Foreign-denominated fixed maturity securities AFS | 127 | (119) | 8 |
| Total | | $(56) | $ 42 | $ (14) |

(1) Fixed rate liabilities reported in policyholder account balances or future policy benefits.
(2) Fixed rate or floating rate liabilities.

For the Company’s foreign currency forwards, the change in the estimated fair value of the derivative related to the changes in the difference between the spot price and the forward price is excluded from the assessment of hedge effectiveness. For all other derivatives, all components of each derivative’s gain or loss were included in the assessment of hedge effectiveness. For the years ended December 31, 2018, 2017 and 2016, the component of the change in estimated fair value of derivatives that was excluded from the assessment of hedge effectiveness was ($58) million, ($40) million and ($23) million, respectively.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

Cash Flow Hedges
The Company designates and accounts for the following as cash flow hedges when they have met the requirements of cash flow hedging: (i) interest rate swaps to convert floating rate assets and liabilities to fixed rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated assets and liabilities; (iii) interest rate forwards and credit forwards to lock in the price to be paid for forward purchases of investments; (iv) interest rate swaps and interest rate forwards to hedge the forecasted purchases of fixed rate investments; and (v) interest rate swaps and interest rate forwards to hedge forecasted fixed rate borrowings.
In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified amounts from AOCI into net derivative gains (losses). These amounts were $5 million, $13 million and $12 million for the years ended December 31, 2018, 2017 and 2016, respectively.
At December 31, 2018 and 2017, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed four years and five years, respectively.
At December 31, 2018 and 2017, the balance in AOCI associated with cash flow hedges was $2.1 billion and $1.5 billion, respectively. Upon the Separation, the Company recorded a reduction of $414 million of deferred gains within AOCI.
For the years ended December 31, 2017 and 2016, the amounts of deferred gains (losses) in AOCI related to Brighthouse derivatives were ($92) million and $71 million, respectively. For the years ended December 31, 2017 and 2016, the amounts of income reclassified from AOCI into income (loss) from discontinued operations were $16 million and $45 million, respectively.
The following table presents the effects of derivatives in cash flow hedging relationships on the consolidated statements of operations and the consolidated statements of equity. The table excludes the effects of Brighthouse derivatives prior to the Separation.

| Derivatives in Cash Flow Hedging Relationships | Amount of Gains (Losses) Deferred in AOCI on Derivatives (Effective Portion) | Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss) (Effective Portion) | | | Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion) |
|---|---|---|---|---|---|
| | | Net Derivative Gains (Losses) | Net Investment Income | Other Expenses | Net Derivative Gains (Losses) |
| | (In millions) | | | | |
| Year Ended December 31, 2018 | | | | | |
| Interest rate swaps | $(143) | $ 23 | $ 18 | $ — | $ 3 |
| Interest rate forwards | (114) | (2) | 2 | 1 | — |
| Foreign currency swaps | 414 | (558) | (5) | 2 | 8 |
| Credit forwards | — | 1 | 1 | — | — |
| Total | $157 | $ (536) | $ 16 | $ 3 | $ 11 |
| Year Ended December 31, 2017 | | | | | |
| Interest rate swaps | $78 | $ 24 | $ 16 | $ — | $ 18 |
| Interest rate forwards | 210 | (11) | 2 | 1 | (2) |
| Foreign currency swaps | (335) | 974 | — | 2 | (4) |
| Credit forwards | — | 1 | — | — | — |
| Total | $(47) | $ 988 | $ 18 | $ 3 | $ 12 |
| Year Ended December 31, 2016 | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Interest rate swaps | $50 | $ 56 | $ 12 | $ — | $ (1 ) |
| Interest rate forwards | (366 ) | (1 ) | 4 | 1 | — |
| Foreign currency swaps | 589 | (350 ) | (2 ) | 2 | 1 |
| Credit forwards | — | 3 | 1 | — | — |
| Total | $273 | $ (292 ) | $ 15 | $ 3 | $ — |

All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

277

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

At December 31, 2018, the Company expected to reclassify ($63) million of deferred net gains (losses) on derivatives in AOCI, included in the table above, to earnings within the next 12 months.

Hedges of Net Investments in Foreign Operations

The Company uses foreign currency exchange rate derivatives, which may include foreign currency forwards and currency options, to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on these derivatives based upon the change in forward rates. When net investments in foreign operations are sold or substantially liquidated, the amounts in AOCI are reclassified to the statement of operations.

The following table presents the effects of derivatives in net investment hedging relationships on the consolidated statements of operations and the consolidated statements of equity:

| Derivatives in Net Investment Hedging Relationships (1) | Amount of Gains (Losses) Deferred in AOCI Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Foreign currency forwards | $ 35 | $ (155) | $ (267) |
| Currency options | (160) | (290) | (35) |
| Total | $ (125) | $ (445) | $ (302) |

(1) There was no ineffectiveness recognized for the Company’s hedges of net investments in foreign operations. All components of each derivative’s gain or loss were included in the assessment of hedge effectiveness.

At December 31, 2018 and 2017, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was $184 million and $309 million, respectively.

Credit Derivatives

In connection with synthetically created credit investment transactions, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the nonqualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company’s maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $11.4 billion at both December 31, 2018 and 2017. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps. At December 31, 2018 and 2017, the Company would have received $82 million and $271 million, respectively, to terminate all of these contracts.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

The following table presents the estimated fair value, maximum amount of future payments and weighted average years to maturity of written credit default swaps at:

| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | |
| Rating Agency Designation of Referenced Credit Obligations (1) | Estimated Fair Value of Credit Default Swaps | Maximum Amount of Future Payments under Credit Default Swaps | Weighted Average Years to Maturity (2) | Estimated Fair Value of Credit Default Swaps | Maximum Amount of Future Payments under Credit Default Swaps | Weighted Average Years to Maturity (2) |
| | (Dollars in millions) | | | | | |
| Aaa/Aa/A | | | | | | |
| Single name credit default swaps (3) | $4 | $ 354 | 1.7 | $7 | $ 375 | 2.6 |
| Credit default swaps referencing indices | 28 | 2,154 | 2.5 | 44 | 2,268 | 2.7 |
| Subtotal | 32 | 2,508 | 2.4 | 51 | 2,643 | 2.7 |
| Baa | | | | | | |
| Single name credit default swaps (3) | 3 | 482 | 1.5 | 7 | 605 | 1.8 |
| Credit default swaps referencing indices | 40 | 8,056 | 5.0 | 183 | 7,662 | 5.0 |
| Subtotal | 43 | 8,538 | 4.8 | 190 | 8,267 | 4.8 |
| Ba | | | | | | |
| Single name credit default swaps (3) | — | 15 | 2.0 | 1 | 115 | 3.4 |
| Credit default swaps referencing indices | — | — | — | — | — | — |
| Subtotal | — | 15 | 2.0 | 1 | 115 | 3.4 |
| B | | | | | | |
| Single name credit default swaps (3) | — | — | — | 2 | 20 | 3.5 |
| Credit default swaps referencing indices | 7 | 330 | 5.0 | 27 | 330 | 5.0 |
| Subtotal | 7 | 330 | 5.0 | 29 | 350 | 4.9 |
| Total | $82 | $ 11,391 | 4.3 | $271 | $ 11,375 | 4.3 |

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), S&P and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.

(2) The weighted average years to maturity of the credit default swaps is calculated based on weighted average gross notional amounts.

(3) Single name credit default swaps may be referenced to the credit of corporations, foreign governments, or state and political subdivisions.

The Company has also entered into credit default swaps to purchase credit protection on certain of the referenced credit obligations in the table above. As a result, the maximum amounts of potential future recoveries available to offset the $11.4 billion of future payments under credit default provisions at both December 31, 2018 and 2017 set forth in the table above were $16 million and $27 million at December 31, 2018 and 2017, respectively.

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by its counterparties to derivatives. Generally, the current credit exposure of the Company's derivatives is limited to the net positive estimated fair value of derivatives at the reporting date after taking into consideration the existence of master netting or similar agreements and any collateral received pursuant to such agreements.

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company's OTC-bilateral derivative transactions are governed by ISDA Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions. Substantially all of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives.

The Company's OTC-cleared derivatives are effected through central clearing counterparties and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis (both initial margin and variation margin), and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.

See Note 10 for a description of the impact of credit risk on the valuation of derivatives.

The estimated fair values of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement | Assets | Liabilities | Assets | Liabilities |
| | (In millions) | | | |
| Gross estimated fair value of derivatives: | | | | |
| OTC-bilateral (1) | $8,805 | $ 3,758 | $7,955 | $ 4,059 |
| OTC-cleared (1), (6) | 245 | 33 | 649 | 223 |
| Exchange-traded | 18 | 80 | 22 | 8 |
| Total gross estimated fair value of derivatives (1) | 9,068 | 3,871 | 8,626 | 4,290 |
| Amounts offset on the consolidated balance sheets | — | — | — | — |
| Estimated fair value of derivatives presented on the consolidated balance sheets (1), (6) | 9,068 | 3,871 | 8,626 | 4,290 |
| Gross amounts not offset on the consolidated balance sheets: | | | | |
| Gross estimated fair value of derivatives: (2) | | | | |
| OTC-bilateral | (2,570 ) | (2,570 ) | (2,528 ) | (2,528 ) |
| OTC-cleared | (25 ) | (25 ) | (35 ) | (35 ) |
| Exchange-traded | (1 ) | (1 ) | (1 ) | (1 ) |
| Cash collateral: (3), (4) | | | | |
| OTC-bilateral | (4,709 ) | — | (4,169 ) | — |
| OTC-cleared | (145 ) | — | (584 ) | (179 ) |
| Exchange-traded | — | (57 ) | — | (5 ) |
| Securities collateral: (5) | | | | |
| OTC-bilateral | (1,266 ) | (1,134 ) | (1,004 ) | (1,474 ) |
| OTC-cleared | — | (8 ) | — | (9 ) |
| Exchange-traded | — | (7 ) | — | (2 ) |
| Net amount after application of master netting agreements and collateral | $352 | $ 69 | $305 | $ 57 |

(1) At December 31, 2018 and 2017, derivative assets included income or (expense) accruals reported in accrued investment income or in other liabilities of $99 million and $75 million, respectively, and derivative liabilities included (income) or expense accruals reported in accrued investment income or in other liabilities of ($59)

million and ($49) million, respectively.

280

(2) Estimated fair value of derivatives is limited to the amount that is subject to set-off and includes income or expense accruals.

(3) Cash collateral received by the Company for OTC-bilateral and OTC-cleared derivatives is included in cash and cash equivalents, short-term investments or in fixed maturity securities AFS, and the obligation to return it is included in payables for collateral under securities loaned and other transactions on the balance sheet.

(4) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At December 31, 2018 and 2017, the Company received excess cash collateral of $135 million and $253 million, respectively, and provided excess cash collateral of $226 million and $272 million, respectively, which is not included in the table above due to the foregoing limitation.

(5) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but at December 31, 2018, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities AFS on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At December 31, 2018 and 2017, the Company received excess securities collateral with an estimated fair value of $70 million and $108 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At December 31, 2018 and 2017, the Company provided excess securities collateral with an estimated fair value of $212 million and $305 million, respectively, for its OTC-bilateral derivatives, $601 million and $522 million, respectively, for its OTC-cleared derivatives, and $90 million and $89 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

(6) Effective January 16, 2018, the LCH amended its rulebook, resulting in the characterization of variation margin transfers as settlement payments, as opposed to adjustments to collateral. Effective January 3, 2017, the CME amended its rulebook, resulting in the characterization of variation margin transfers as settlement payments, as opposed to adjustments to collateral. See Note 1 for further information on the LCH and CME amendments.

The Company’s collateral arrangements for its OTC-bilateral derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the collateral amount owed by that counterparty reaches a minimum transfer amount. A small number of these arrangements also include credit-contingent provisions that include a threshold above which collateral must be posted. Such agreements provide for a reduction of these thresholds (on a sliding scale that converges toward zero) in the event of downgrades in the credit ratings of MetLife, Inc. and/or the counterparty. In addition, substantially all of the Company’s netting agreements for derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade credit rating from each of Moody’s and S&P. If a party’s credit or financial strength rating, as applicable, were to fall below that specific investment grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party’s reasonable valuation of the derivatives.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

The following table presents the estimated fair value of the Company’s OTC-bilateral derivatives that were in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged. The table also presents the incremental collateral that MetLife, Inc. would be required to provide if there was a one-notch downgrade in MetLife, Inc.’s senior unsecured debt rating at the reporting date or if the Company’s credit or financial strength rating, as applicable, at the reporting date sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

| | December 31, 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Derivatives Subject to Credit-Contingent Provisions | Derivatives Not Subject to Credit-Contingent Provisions | Total | Derivatives Subject to Credit-Contingent Provisions | Derivatives Not Subject to Credit-Contingent Provisions | Total |
| | (In millions) | | | | | |
| Estimated Fair Value of Derivatives in a Net Liability Position (1) | $1,148 | $ 40 | $1,188 | $1,508 | $ 24 | $1,532 |
| Estimated Fair Value of Collateral Provided: | | | | | | |
| Fixed maturity securities AFS | $1,218 | $ 9 | $1,227 | $1,675 | $ 26 | $1,701 |
| Cash | $6 | $ — | $6 | $— | $ — | $— |
| Estimated Fair Value of Incremental Collateral Provided Upon: | | | | | | |
| One-notch downgrade in the Company’s credit or financial strength rating, as applicable | $10 | $ — | $10 | $15 | $ — | $15 |
| Downgrade in the Company’s credit or financial strength rating, as applicable, to a level that triggers full overnight collateralization or termination of the derivative position | $10 | $ — | $10 | $20 | $ — | $20 |

(1) After taking into consideration the existence of netting agreements.

Embedded Derivatives

The Company issues certain products or purchases certain investments that contain embedded derivatives that are required to be separated from their host contracts and accounted for as freestanding derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including GMWBs, GMABs and certain GMIBs; ceded reinsurance of guaranteed minimum benefits related to certain GMIBs; assumed reinsurance of guaranteed minimum benefits related to GMWBs and GMABs; funding agreements with equity or bond indexed crediting rates; funds withheld on ceded reinsurance; fixed annuities with equity-indexed returns; and certain debt and equity securities.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

The following table presents the estimated fair value and balance sheet location of the Company's embedded derivatives that have been separated from their host contracts at:

| | Balance Sheet Location | December 31, 2018 | 2017 |
|---|---|---|---|
| | | (In millions) | |
| Embedded derivatives within asset host contracts: | | | |
| Ceded guaranteed minimum benefits | Premiums, reinsurance and other receivables | $71 | $144 |
| Options embedded in debt or equity securities (1) | Investments | — | (132 ) |
| Embedded derivatives within asset host contracts | | $71 | $12 |
| Embedded derivatives within liability host contracts: | | | |
| Direct guaranteed minimum benefits | Policyholder account balances | $298 | $32 |
| Assumed guaranteed minimum benefits | Policyholder account balances | 495 | 291 |
| Funds withheld on ceded reinsurance | Other liabilities | (41 ) | 25 |
| Fixed annuities with equity indexed returns | Policyholder account balances | 58 | 70 |
| Embedded derivatives within liability host contracts | | $810 | $418 |

(1) Effective January 1, 2018, in connection with the adoption of new guidance related to the recognition and measurement of financial instruments, the Company was no longer required to bifurcate and account separately for derivatives embedded in equity securities (see Note 1). Beginning January 1, 2018, the change in fair value of equity securities was recognized as a component of net investment gains and losses.

The following table presents changes in estimated fair value related to embedded derivatives:

| | Years Ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|
| | (In millions) | | |
| Net derivative gains (losses) (1) | $(150) | $799 | $(181) |

(1) The valuation of guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were $133 million, ($190) million and $156 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)

10. Fair Value

When developing estimated fair values, the Company considers three broad valuation approaches: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The Company determines the most appropriate valuation approach to use, given what is being measured and the availability of sufficient inputs, giving priority to observable inputs. The Company categorizes its assets and liabilities measured at estimated fair value into a three-level hierarchy, based on the significant input with the lowest level in its valuation. The input levels are as follows:

| | |
|---|---|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities. The Company defines active markets based on average trading volume for equity securities. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities AFS. |
| Level 2 | Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities other than quoted prices in Level 1, quoted prices in markets that are not active, or other significant inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities. |
| Level 3 | Unobservable inputs that are supported by little or no market activity and are significant to the determination of estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability. |

Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. The Company's ability to sell securities, as well as the price ultimately realized for these securities, depends upon the demand and liquidity in the market and increases the use of judgment in determining the estimated fair value of certain securities.

Considerable judgment is often required in interpreting market data to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

Recurring Fair Value Measurements
The assets and liabilities measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy, including those items for which the Company has elected the FVO, are presented below at:

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Fair Value Hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | |
| Assets | | | | |
| Fixed maturity securities AFS: | | | | |
| U.S. corporate | $— | $74,874 | $4,074 | $78,948 |
| Foreign government | — | 62,150 | 138 | 62,288 |
| Foreign corporate | — | 50,310 | 6,393 | 56,703 |
| U.S. government and agency | 19,656 | 19,666 | — | 39,322 |
| RMBS | — | 24,734 | 3,227 | 27,961 |
| ABS | — | 11,775 | 697 | 12,472 |
| Municipals | — | 11,533 | — | 11,533 |
| CMBS | — | 8,696 | 342 | 9,038 |
| Total fixed maturity securities AFS | 19,656 | 263,738 | 14,871 | 298,265 |
| Equity securities | 916 | 105 | 419 | 1,440 |
| Unit-linked and FVO Securities (1) | 10,216 | 1,995 | 405 | 12,616 |
| Short-term investments (2) | 1,470 | 1,746 | 33 | 3,249 |
| Residential mortgage loans — FVO | — | — | 299 | 299 |
| Other investments | 80 | 118 | 39 | 237 |
| Derivative assets: (3) | | | | |
| Interest rate | 1 | 4,809 | 33 | 4,843 |
| Foreign currency exchange rate | 4 | 2,922 | 52 | 2,978 |
| Credit | — | 91 | 29 | 120 |
| Equity market | 13 | 956 | 59 | 1,028 |
| Total derivative assets | 18 | 8,778 | 173 | 8,969 |
| Embedded derivatives within asset host contracts (4) | — | — | 71 | 71 |
| Separate account assets (5) | 79,726 | 94,886 | 944 | 175,556 |
| Total assets (6) | $112,082 | $371,366 | $17,254 | $500,702 |
| Liabilities | | | | |
| Derivative liabilities: (3) | | | | |
| Interest rate | $3 | $194 | $218 | $415 |
| Foreign currency exchange rate | — | 2,660 | 89 | 2,749 |
| Credit | — | 48 | 4 | 52 |
| Equity market | 77 | 550 | 87 | 714 |
| Total derivative liabilities | 80 | 3,452 | 398 | 3,930 |
| Embedded derivatives within liability host contracts (4) | — | — | 810 | 810 |
| Separate account liabilities (5) | 1 | 20 | 7 | 28 |
| Total liabilities | $81 | $3,472 | $1,215 | $4,768 |

| | December 31, 2017 | | | |
|---|---|---|---|---|
| | Fair Value Hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | |
| Assets | | | | |
| Fixed maturity securities AFS: | | | | |
| U.S. corporate | $— | $78,171 | $4,490 | $82,661 |
| Foreign government | — | 61,325 | 209 | 61,534 |
| Foreign corporate | — | 48,840 | 6,729 | 55,569 |
| U.S. government and agency | 26,052 | 21,342 | — | 47,394 |
| RMBS | — | 25,339 | 3,461 | 28,800 |
| ABS | — | 11,204 | 1,087 | 12,291 |
| Municipals | — | 12,455 | — | 12,455 |
| CMBS | — | 7,934 | 293 | 8,227 |
| Total fixed maturity securities AFS | 26,052 | 266,610 | 16,269 | 308,931 |
| Equity securities | 1,104 | 981 | 428 | 2,513 |
| Unit-linked and FVO Securities (1) | 14,028 | 2,355 | 362 | 16,745 |
| Short-term investments (2) | 3,001 | 1,252 | 33 | 4,286 |
| Residential mortgage loans — FVO | — | — | 520 | 520 |
| Other investments | 81 | 84 | — | 165 |
| Derivative assets: (3) | | | | |
| Interest rate | 2 | 5,553 | 8 | 5,563 |
| Foreign currency exchange rate | 2 | 1,954 | 113 | 2,069 |
| Credit | — | 240 | 38 | 278 |
| Equity market | 18 | 548 | 75 | 641 |
| Total derivative assets | 22 | 8,295 | 234 | 8,551 |
| Embedded derivatives within asset host contracts (4) | — | — | 144 | 144 |
| Separate account assets (5) | 89,916 | 114,124 | 961 | 205,001 |
| Total assets | $134,204 | $393,701 | $18,951 | $546,856 |
| Liabilities | | | | |
| Derivative liabilities: (3) | | | | |
| Interest rate | $4 | $638 | $130 | $772 |
| Foreign currency exchange rate | — | 2,553 | 37 | 2,590 |
| Credit | — | 43 | — | 43 |
| Equity market | 4 | 731 | 199 | 934 |
| Total derivative liabilities | 8 | 3,965 | 366 | 4,339 |
| Embedded derivatives within liability host contracts (4) | — | — | 418 | 418 |
| Separate account liabilities (5) | — | 7 | 2 | 9 |
| Total liabilities | $8 | $3,972 | $786 | $4,766 |

(1) Unit-linked and FVO Securities were primarily comprised of Unit-linked investments at both December 31, 2018 and 2017.

(2)

(3) Short-term investments as presented in the tables above differ from the amounts presented on the consolidated balance sheets because certain short-term investments are not measured at estimated fair value on a recurring basis. Derivative assets are presented within other invested assets on the consolidated balance sheets and derivative liabilities are presented within other liabilities on the consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation on the consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables.

(4) Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables and other invested assets on the consolidated balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances and other liabilities on the consolidated balance sheets. At December 31, 2018 and 2017, debt and equity securities also included embedded derivatives of $0 and ($132) million, respectively.

(5) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders whose liability is reflected within separate account liabilities. Separate account liabilities are set equal to the estimated fair value of separate account assets. Separate account liabilities presented in the tables above represent derivative liabilities.

(6) In connection with the adoption of new guidance related to the recognition and measurement of financial instruments (see Note 1), other limited partnership interests are measured at estimated fair value on a recurring basis, effective January 1, 2018. This represents the former cost method investments held as of January 1, 2018 that were measured at estimated fair value on a recurring basis upon adoption of this guidance. Total assets included in the fair value hierarchy exclude these other limited partnership interests that are measured at estimated fair value using the net asset value (“NAV”) per share (or its equivalent) practical expedient. At December 31, 2018, the estimated fair value of such investments was $145 million.

The following describes the valuation methodologies used to measure assets and liabilities at fair value.

Investments

Securities, Short-term Investments and Other Investments

When available, the estimated fair value of these financial instruments is based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Company’s securities holdings and valuation of these securities does not involve management’s judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. When observable inputs are not available, the market standard valuation methodologies rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs can be based in large part on management’s judgment or estimation and cannot be supported by reference to market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such securities and are considered appropriate given the circumstances.

The estimated fair value of other investments is determined on a basis consistent with the methodologies described herein for securities.

The valuation approaches and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy are presented below. The valuation of most instruments listed below is determined using independent pricing sources, matrix pricing, discounted cash flow methodologies or other similar techniques that use either observable market inputs or unobservable inputs.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

| Instrument | Level 2<br>Observable Inputs | Level 3<br>Unobservable Inputs |
|---|---|---|
| Fixed maturity securities AFS | | |
| U.S. corporate and Foreign corporate securities | | |
| | Valuation Approaches: Principally the market and income approaches. | Valuation Approaches: Principally the market approach. |
| | Key Inputs: | Key Inputs: |
| | • quoted prices in markets that are not active | • illiquidity premium |
| | • benchmark yields; spreads off benchmark yields; new issuances; issuer rating | • delta spread adjustments to reflect specific credit-related issues |
| | • trades of identical or comparable securities; duration | • credit spreads |
| | • Privately-placed securities are valued using the additional key inputs: | • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 |
| | • market yield curve; call provisions | |
| | • observable prices and spreads for similar public or private securities that incorporate the credit quality and industry sector of the issuer | • independent non-binding broker quotations |
| | • delta spread adjustments to reflect specific credit-related issues | |
| Foreign government securities, U.S. government and agency securities and Municipals | | |
| | Valuation Approaches: Principally the market approach. | Valuation Approaches: Principally the market approach. |
| | Key Inputs: | Key Inputs: |
| | • quoted prices in markets that are not active | • independent non-binding broker quotations |
| | • benchmark U.S. Treasury yield or other yields | • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 |
| | • the spread off the U.S. Treasury yield curve for the identical security | |
| | • issuer ratings and issuer spreads; broker-dealer quotes | • credit spreads |
| | • comparable securities that are actively traded | |
| Structured Securities | | |
| | Valuation Approaches: Principally the market and income approaches. | Valuation Approaches: Principally the market and income approaches. |
| | Key Inputs: | Key Inputs: |
| | • quoted prices in markets that are not active | • credit spreads |
| | • spreads for actively traded securities; spreads off benchmark yields | • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 |
| | • expected prepayment speeds and volumes | |
| | • current and forecasted loss severity; ratings; geographic region | • independent non-binding broker quotations |
| | • weighted average coupon and weighted average maturity | |

- average delinquency rates; debt-service coverage ratios
- issuance-specific information, including, but not limited to:
  - collateral type; structure of the security; vintage of the loans
  - payment terms of the underlying assets
  - payment priority within the tranche; deal performance

288

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

| Instrument | Level 2 Observable Inputs | Level 3 Unobservable Inputs |
|---|---|---|
| Equity securities | | |
| | Valuation Approaches: Principally the market approach. | Valuation Approaches: Principally the market and income approaches. |
| | Key Input: | Key Inputs: |
| | • quoted prices in markets that are not considered active | • credit ratings; issuance structures |
| | | • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 |
| | | • independent non-binding broker quotations |
| Unit-linked and FVO Securities, Short-term investments and Other investments | | |
| | • Unit-linked and FVO Securities include mutual fund interests without readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported NAV provided by | • Unit-linked and FVO Securities, short-term investments and other investments are of a similar nature and class to the fixed maturity securities AFS and equity securities described above; accordingly, the valuation approaches and unobservable inputs used in their valuation are also similar to those described above. |

- the fund managers, which were based on observable inputs. Short-term investments and other investments are of a similar nature and class to the fixed maturity securities AFS and equity securities described above; accordingly, the valuation approaches and observable inputs used in their valuation are also similar to those described above.

Residential mortgage loans — FVO

- N/A

Valuation Approaches: Principally the market approach.
Valuation Techniques and Key Inputs: These investments are based primarily on matrix pricing or other similar techniques that utilize inputs from mortgage servicers that are unobservable or cannot be derived principally from, or corroborated by, observable market data.

Separate account assets and Separate account liabilities (1)

Mutual funds and hedge funds without readily determinable fair values as prices are not published publicly

Key Input: •N/A

- quoted prices or reported NAV provided by the fund

| | | |
|---|---|---|
| managers | | |
| Other limited partnership interests | | |
| • | N/A | • Valued giving consideration to the underlying holdings of the partnerships and adjusting, if appropriate.<br>Key Inputs:<br>• liquidity; bid/ask spreads; performance record of the fund manager<br>• other relevant variables that may impact the exit value of the particular partnership interest |

(1) Estimated fair value equals carrying value, based on the value of the underlying assets, including: mutual fund interests, fixed maturity securities, equity securities, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents. Fixed maturity securities, equity securities, derivatives, short-term investments and cash and cash equivalents are similar in nature to the instruments described under "— Securities, Short-term Investments and Other Investments," and "— Derivatives — Freestanding Derivatives."

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

Derivatives

The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives, or through the use of pricing models for OTC-bilateral and OTC-cleared derivatives. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing such instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models.

The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Certain OTC-bilateral and OTC-cleared derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what other market participants would use when pricing such instruments.

Most inputs for OTC-bilateral and OTC-cleared derivatives are mid-market inputs but, in certain cases, liquidity adjustments are made when they are deemed more representative of exit value. Market liquidity, as well as the use of different methodologies, assumptions and inputs, may have a material effect on the estimated fair values of the Company’s derivatives and could materially affect net income.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-bilateral and OTC-cleared derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its OTC-bilateral and OTC-cleared derivatives using standard swap curves which may include a spread to the risk-free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments are not currently required in the valuation process. The Company’s ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

Freestanding Derivatives

Level 2 Valuation Approaches and Key Inputs:

This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1 and those derivatives with unobservable inputs as described in Level 3.

Level 3 Valuation Approaches and Key Inputs:

These valuation methodologies generally use the same inputs as described in the corresponding sections for Level 2 measurements of derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data.

Freestanding derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models. Key inputs are as follows:

| Instrument | Interest Rate | Foreign Currency Exchange Rate | Credit | Equity Market |
|---|---|---|---|---|
| Inputs common to Level 2 and Level 3 by instrument type | •swap yield curves<br>•basis curves<br>•interest rate volatility (1) | •swap yield curves<br>•basis curves<br>•currency spot rates<br>•cross currency basis curves<br>•currency volatility (1) | •swap yield curves<br>•credit curves<br>•recovery rates | •swap yield curves<br>•spot equity index levels<br>•dividend yield curves<br>•equity volatility (1) |
| Level 3 | •swap yield curves (2)<br>•basis curves (2)<br>•repurchase rates | •swap yield curves (2)<br>•basis curves (2)<br>•cross currency basis curves (2)<br>•currency correlation<br>•currency volatility (1) | •swap yield curves (2)<br>•credit curves (2)<br>•credit spreads<br>•repurchase rates<br>•independent non-binding broker quotations | •dividend yield curves (2)<br>•equity volatility (1), (2)<br>•correlation between model inputs (1) |

(1) Option-based only.
(2) Extrapolation beyond the observable limits of the curve(s).

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees, equity or bond indexed crediting rates within certain funding agreements and annuity contracts, and those related to funds withheld on ceded reinsurance agreements. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

The Company issues certain variable annuity products with guaranteed minimum benefits. GMWBs, GMABs and certain GMIBs contain embedded derivatives, which are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the consolidated balance sheets.

The Company calculates the fair value of these embedded derivatives, which are estimated as the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior. The calculation is based on in-force business, projecting future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable risk-free rates.

Capital market assumptions, such as risk-free rates and implied volatilities, are based on market prices for publicly traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.

The valuation of these guarantee liabilities includes nonperformance risk adjustments and adjustments for a risk margin related to non-capital market inputs. The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife, Inc.'s debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries as compared to MetLife, Inc.

Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees. These guarantees may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates; changes in nonperformance risk; and variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs, may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income.

The Company ceded the risk associated with certain of the GMIBs previously described. These reinsurance agreements contain embedded derivatives which are included within premiums, reinsurance and other receivables on the consolidated balance sheets with changes in estimated fair value reported in net derivative gains (losses) or policyholder benefits and claims depending on the statement of operations classification of the direct risk. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

The estimated fair value of the embedded derivatives within funds withheld related to certain ceded reinsurance is determined based on the change in estimated fair value of the underlying assets held by the Company in a reference portfolio backing the funds withheld liability. The estimated fair value of the underlying assets is determined as described in "— Investments — Securities, Short-term Investments and Other Investments." The estimated fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities on the consolidated balance sheets with changes in estimated fair value recorded in net derivative gains (losses). Changes in the credit spreads on the underlying assets, interest rates and market volatility may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

The estimated fair value of the embedded equity and bond indexed derivatives contained in certain funding agreements is determined using market standard swap valuation models and observable market inputs, including a nonperformance risk adjustment. The estimated fair value of these embedded derivatives are included, along with their funding agreements host, within policyholder account balances with changes in estimated fair value recorded in net derivative gains (losses). Changes in equity and bond indices, interest rates and the Company's credit standing may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

The Company issues certain annuity contracts which allow the policyholder to participate in returns from equity indices. These equity indexed features are embedded derivatives which are measured at estimated fair value separately from the host fixed annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the consolidated balance sheets.

The estimated fair value of the embedded equity indexed derivatives, based on the present value of future equity returns to the policyholder using actuarial and present value assumptions including expectations concerning policyholder behavior, is calculated by the Company's actuarial department. The calculation is based on in-force business and uses standard capital market techniques, such as Black-Scholes, to calculate the value of the portion of the embedded derivative for which the terms are set. The portion of the embedded derivative covering the period beyond where terms are set is calculated as the present value of amounts expected to be spent to provide equity indexed returns in those periods. The valuation of these embedded derivatives also includes the establishment of a risk margin, as well as changes in nonperformance risk.

Table of Contents


Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Approaches and Key Inputs:

Direct and assumed guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. Valuations are based on option pricing techniques, which utilize significant inputs that may include swap yield curves, currency exchange rates and implied volatilities. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include: the extrapolation beyond observable limits of the swap yield curves and implied volatilities, actuarial assumptions for policyholder behavior and mortality and the potential variability in policyholder behavior and mortality, nonperformance risk and cost of capital for purposes of calculating the risk margin.

Reinsurance ceded on certain guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. The valuation techniques and significant market standard unobservable inputs used in their valuation are similar to those described above in "— Direct and assumed guaranteed minimum benefits" and also include counterparty credit spreads.

Transfers between Levels

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity.

Transfers into or out of Level 3:

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 underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input 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.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)
The following table presents certain quantitative information about the significant unobservable inputs used in the fair value measurement, and the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at:

| | | | December 31, 2018 | | | December 31, 2017 | | | Impact of Increase in Input on Estimated Fair Value (2) |
|---|---|---|---|---|---|---|---|---|---|
| | Valuation Techniques | Significant Unobservable Inputs | Range | | Weighted Average (1) | Range | | Weighted Average (1) | |
| Fixed maturity securities AFS (3) | | | | | | | | | |
| U.S. corporate and foreign corporate | • Matrix pricing | • Offered quotes (4) | 85 | -134 | 104 | 83 | -142 | 110 | Increase |
| | • Market pricing | • Quoted prices (4) | 25 | -638 | 110 | 10 | -443 | 121 | Increase |
| | • Consensus pricing | • Offered quotes (4) | 100 | -110 | 102 | 97 | -104 | 101 | Increase |
| RMBS | • Market pricing | • Quoted prices (4) | — | -106 | 94 | — | -126 | 94 | Increase (5) |
| ABS | • Market pricing | • Quoted prices (4) | 3 | -116 | 97 | 5 | -117 | 100 | Increase (5) |
| | • Consensus pricing | • Offered quotes (4) | 100 | -103 | 101 | 100 | -103 | 100 | Increase (5) |
| Derivatives | | | | | | | | | |
| Interest rate | • Present value techniques | • Swap yield (6) | 268 | -317 | | 200 | -300 | | Increase (7) |
| | | • Repurchase rates (8) | (5) | -6 | | (5) | -5 | | Decrease (7) |
| Foreign currency exchange rate | • Present value techniques | • Swap yield (6) | (20) | -328 | | (14) | -309 | | Increase (7) |
| Credit | • Present value techniques | • Credit spreads (9) | 97 | -103 | | — | -— | | Decrease (7) |
| | • Consensus pricing | • Offered quotes (10) | | | | | | | |
| Equity market | • Present value techniques or option pricing models | • Volatility (11) | 21% | -26% | | 11% | -31% | | Increase (7) |
| | | • Correlation (12) | 10% | -30% | | 10% | -30% | | |
| Embedded derivatives | | | | | | | | | |
| | • | • Mortality rates: | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Direct, assumed and ceded guaranteed minimum benefits | Option pricing techniques | | | | | | | |
| | | Ages 0 - 40 | 0% | -0.18% | 0% | -0.21% | Decrease (13) |
| | | Ages 41 - 60 | 0.03% | -0.80% | 0.03% | -0.75% | Decrease (13) |
| | | Ages 61 - 115 | 0.12% | -100% | 0.15% | -100% | Decrease (13) |
| | | •Lapse rates: | | | | | |
| | | Durations 1 - 10 | 0.25% | -100% | 0.25% | -100% | Decrease (14) |
| | | Durations 11 - 20 | 2% | -100% | 2% | -100% | Decrease (14) |
| | | Durations 21 - 116 | 1.25% | -100% | 1.25% | -100% | Decrease (14) |
| | | •Utilization rates | 0% | -25% | 0% | -25% | Increase (15) |
| | | •Withdrawal rates | 0% | -20% | 0% | -20% | (16) |
| | | •Long-term equity volatilities | 7.16% | -30% | 8.25% | -33% | Increase (17) |
| | | •Nonperformance risk spread | 0.04% | -1.77% | 0.02% | -1.32% | Decrease (18) |

(1) The weighted average for fixed maturity securities AFS is determined based on the estimated fair value of the securities.

(2) The impact of a decrease in input would have resulted in the opposite impact on estimated fair value. For embedded derivatives, changes to direct and assumed guaranteed minimum benefits are based on liability positions; changes to ceded guaranteed minimum benefits are based on asset positions.

(3) Significant increases (decreases) in expected default rates in isolation would have resulted in substantially lower (higher) valuations.

(4) Range and weighted average are presented in accordance with the market convention for fixed maturity securities AFS of dollars per hundred dollars of par.

294

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

(5) Changes in the assumptions used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.

(6) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curves are utilized among different types of derivatives to project cash flows, as well as to discount future cash flows to present value. Since this valuation methodology uses a range of inputs across a yield curve to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.

(7) Changes in estimated fair value are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.

(8) Ranges represent different repurchase rates utilized as components within the valuation methodology and are presented in basis points.

(9) Represents the risk quoted in basis points of a credit default event on the underlying instrument. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.

(10) At both December 31, 2018 and 2017, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.

(11) Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a range of inputs across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.

(12) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a range of correlation factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations.

(13) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(14) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in the money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(15) The utilization rate assumption estimates the percentage of contractholders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract’s withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(16) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.

(17)

Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(18) Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

295

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets, and embedded derivatives within funds withheld related to certain ceded reinsurance, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. The residential mortgage loans — FVO are valued using independent non-binding broker quotations and internal models including matrix pricing and discounted cash flow methodologies using current interest rates. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table. The valuation techniques and significant unobservable inputs used in the fair value measurement for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in "— Nonrecurring Fair Value Measurements."

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

The following tables summarize the change of all assets and (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | | |
|---|---|---|---|---|---|---|
| | Fixed Maturity Securities AFS | | | | | |
| | Corporate | Foreign Government (1) | Structured Securities | Municipals | Equity Securities | Unit-linked and FVO Securities |
| | (In millions) | | | | | |
| Balance, January 1, 2017 | $11,537 | $ 289 | $ 5,215 | $ 10 | $ 468 | $ 287 |
| Total realized/unrealized gains (losses) included in net income (loss) (2) (3) | 3 | 4 | 94 | — | — | 22 |
| Total realized/unrealized gains (losses) included in AOCI | 708 | — | 133 | — | 19 | — |
| Purchases (4) | 3,830 | 30 | 1,376 | — | 25 | 292 |
| Sales (4) | (1,763 ) | (53 ) | (1,598 ) | — | (51 ) | (141 ) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | — | — | — | — |
| Transfers into Level 3 (5) | 72 | 5 | 70 | — | 1 | 8 |
| Transfers out of Level 3 (5) | (3,168 ) | (66 ) | (449 ) | (10 ) | (34 ) | (106 ) |
| Balance, December 31, 2017 | 11,219 | 209 | 4,841 | — | 428 | 362 |
| Total realized/unrealized gains (losses) included in net income (loss) (2) (3) | 9 | 3 | 82 | — | (36 ) | 6 |
| Total realized/unrealized gains (losses) included in AOCI | (745 ) | (14 ) | (23 ) | — | — | — |
| Purchases (4) | 1,903 | 5 | 1,142 | — | 13 | 263 |
| Sales (4) | (1,464 ) | (47 ) | (946 ) | — | (28 ) | (176 ) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | — | — | — | — |
| Transfers into Level 3 (5) | 152 | — | 59 | — | 52 | 9 |
| Transfers out of Level 3 (5) | (607 ) | (18 ) | (889 ) | — | (10 ) | (59 ) |
| Balance, December 31, 2018 | $10,467 | $ 138 | $ 4,266 | $ — | $ 419 | $ 405 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2016: (6) | $6 | $ 12 | $ 103 | $ 1 | $ (29 ) | $ 3 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2017: (6) | $1 | $ 4 | $ 84 | $ — | $ (17 ) | $ 19 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2018: (6) | $1 | $ 1 | $ 70 | $ — | $ (26 ) | $ 8 |
| Gains (Losses) Data for the year ended December 31, 2016: | | | | | | |
| Total realized/unrealized gains (losses) included in net income (loss) (2) (3) | $5 | $ 12 | $ 103 | $ 1 | $ (24 ) | $ 2 |
| | $59 | $ (42 ) | $ 56 | $ 2 | $ 19 | $ — |

Total realized/unrealized gains (losses) included in
AOCI

297

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | | |
|---|---|---|---|---|---|---|
| | Short-Term Investments | Residential Mortgage Loans - FVO | Other Investments | Net Derivatives (7) | Net Embedded Derivatives (8) | Separate Accounts (9) |
| | (In millions) | | | | | |
| Balance, January 1, 2017 | $46 | $ 566 | $ — | $ (562) | $ (729) | $ 1,141 |
| Total realized/unrealized gains (losses) included in net income (loss) (2) (3) | — | 40 | — | 87 | 823 | (8) |
| Total realized/unrealized gains (losses) included in AOCI | — | — | — | 216 | (46) | — |
| Purchases (4) | 32 | 175 | — | — | — | 187 |
| Sales (4) | (1) | (179) | — | — | — | (80) |
| Issuances (4) | — | — | — | (7) | — | 1 |
| Settlements (4) | — | (82) | — | 134 | (322) | (93) |
| Transfers into Level 3 (5) | — | — | — | — | — | 35 |
| Transfers out of Level 3 (5) | (44) | — | — | — | — | (224) |
| Balance, December 31, 2017 | 33 | 520 | — | (132) | (274) | 959 |
| Total realized/unrealized gains (losses) included in net income (loss) (2) (3) | (1) | 7 | — | (161) | (150) | 7 |
| Total realized/unrealized gains (losses) included in AOCI | (1) | — | — | (140) | (15) | — |
| Purchases (4) | 34 | — | 39 | 5 | — | 198 |
| Sales (4) | (12) | (162) | — | — | — | (168) |
| Issuances (4) | — | — | — | (1) | — | (3) |
| Settlements (4) | — | (66) | — | 204 | (300) | (1) |
| Transfers into Level 3 (5) | — | — | — | — | — | 53 |
| Transfers out of Level 3 (5) | (20) | — | — | — | — | (108) |
| Balance, December 31, 2018 | $33 | $ 299 | $ 39 | $ (225) | $ (739) | $ 937 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2016: (6) | $1 | $ 8 | $ — | $ (56) | $ (242) | $ — |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2017: (6) | $— | $ 27 | $ — | $ 53 | $ 793 | $ — |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2018: (6) | $(1) | $ (15) | $ — | $ (59) | $ (150) | $ — |
| Gains (Losses) Data for the year ended December 31, 2016: | | | | | | |
| Total realized/unrealized gains (losses) included in net income (loss) (2) (3) | $1 | $ 8 | $ — | $ (31) | $ (214) | $ (2) |
| Total realized/unrealized gains (losses) included in AOCI | $4 | $ — | $ — | $ (367) | $ (20) | $ — |

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(1) Comprised of U.S. and foreign corporate securities.
(2) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities are included in net investment gains (losses), while changes in estimated fair value

of residential mortgage loans — FVO are included in net investment income. Lapses associated with net embedded derivatives are included in net derivative gains (losses). Substantially all realized/unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).

(3) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.

(4) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. Fees attributed to embedded derivatives are included in settlements.

(5) Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.

(6) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods. Substantially all changes in unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).

(7) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.

(8) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.

(9) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income (loss). For the purpose of this disclosure, these changes are presented within net investment gains (losses). Separate account assets and liabilities are presented net for the purposes of the rollforward.

Fair Value Option

The Company elects the FVO for certain residential mortgage loans that are managed on a total return basis. The following table presents information for residential mortgage loans, which are accounted for under the FVO and were initially measured at fair value.

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Unpaid principal balance | $344 | $650 |
| Difference between estimated fair value and unpaid principal balance | (45) | (130) |
| Carrying value at estimated fair value | $299 | $520 |
| Loans in nonaccrual status | $89 | $198 |
| Loans more than 90 days past due | $41 | $94 |
| Loans in nonaccrual status or more than 90 days past due, or both — difference between aggregate estimated fair value and unpaid principal balance | $(36) | $(102) |

Nonrecurring Fair Value Measurements

The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods and still held at the reporting dates (for example, when there is evidence of impairment). The estimated fair values for these assets were determined using significant unobservable inputs (Level 3).

| | At December 31, | | | Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| | Carrying Value After Measurement | | | Gains (Losses) | | |
| | (In millions) | | | | | |
| Other limited partnership interests (1) | N/A (2) | $ 58 | $ 96 | N/A (2) | $(65) | $(64) |
| Other assets (3) | $— | $— | $— | $— | $10 | $(30) |

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(1) Estimated fair value is determined from information provided on the financial statements of the underlying entities including NAV data. These investments include private equity and debt funds that typically invest primarily in various strategies including leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. In the future, distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds, the exact timing of which is uncertain.

(2) In connection with the adoption of new guidance related to the recognition and measurement of financial instruments (see Note 1), other limited partnership interests are measured at estimated fair value on a recurring basis effective January 1, 2018.

(3) As discussed in Note 3, during the year ended December 31, 2016, the Company recognized an impairment of computer software in connection with the U.S. Retail Advisor Force Divestiture.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income, payables for collateral under securities loaned and other transactions, short-term debt and those short-term investments that are not securities, such as time deposits, and therefore are not included in the three-level hierarchy table disclosed in the "— Recurring Fair Value Measurements" section. The estimated fair value of the excluded financial instruments, which are primarily classified in Level 2, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the tables below are not considered financial instruments subject to this disclosure.

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows at:

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | | Fair Value Hierarchy | | | |
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | | |
| Assets | | | | | |
| Mortgage loans | $75,453 | $— | $— | $76,379 | $76,379 |
| Policy loans | $9,699 | $— | $338 | $11,028 | $11,366 |
| Other invested assets | $1,177 | $— | $793 | $383 | $1,176 |
| Premiums, reinsurance and other receivables | $3,658 | $— | $903 | $2,894 | $3,797 |
| Other assets | $326 | $— | $164 | $186 | $350 |
| Liabilities | | | | | |
| Policyholder account balances | $114,040 | $— | $— | $114,924 | $114,924 |
| Long-term debt | $12,820 | $— | $13,611 | $— | $13,611 |
| Collateral financing arrangement | $1,060 | $— | $— | $853 | $853 |
| Junior subordinated debt securities | $3,147 | $— | $3,738 | $— | $3,738 |
| Other liabilities | $2,963 | $— | $1,324 | $2,194 | $3,518 |
| Separate account liabilities | $104,010 | $— | $104,010 | $— | $104,010 |

300

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

| | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | | Fair Value Hierarchy | | | |
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | | |
| Assets | | | | | |
| Mortgage loans | $68,211 | $— | $— | $69,797 | $69,797 |
| Policy loans | $9,669 | $— | $336 | $11,176 | $11,512 |
| Other limited partnership interests | $219 | $— | $— | $216 | $216 |
| Other invested assets | $443 | $— | $— | $443 | $443 |
| Premiums, reinsurance and other receivables | $4,155 | $— | $1,283 | $3,056 | $4,339 |
| Other assets | $285 | $— | $189 | $139 | $328 |
| Liabilities | | | | | |
| Policyholder account balances | $114,355 | $— | $— | $116,534 | $116,534 |
| Long-term debt | $15,675 | $— | $17,773 | $— | $17,773 |
| Collateral financing arrangement | $1,121 | $— | $— | $894 | $894 |
| Junior subordinated debt securities | $3,144 | $— | $4,319 | $— | $4,319 |
| Other liabilities | $3,208 | $— | $1,496 | $2,345 | $3,841 |
| Separate account liabilities | $124,011 | $— | $124,011 | $— | $124,011 |

11. Goodwill

Goodwill is the excess of cost over the estimated fair value of net assets acquired. Goodwill is not amortized but is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test. The goodwill impairment process requires a comparison of the estimated fair value of a reporting unit to its carrying value. The Company tests goodwill for impairment by either performing a qualitative assessment or a quantitative test. The qualitative impairment assessment is an assessment of historical information and relevant events and circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. The Company may elect not to perform the qualitative impairment assessment for some or all of its reporting units and perform a quantitative impairment test. In performing the quantitative impairment test, the Company may determine the fair values of its reporting units by applying a market multiple, discounted cash flow, and/or an actuarial-based valuation approach.

The valuation methodologies utilized are subject to key judgments and assumptions that are sensitive to change. Estimates of fair value are inherently uncertain and represent only management's reasonable expectation regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. Declines in the estimated fair value of the Company's reporting units could result in goodwill impairments in future periods which could materially adversely affect the Company's results of operations or financial position.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
11. Goodwill (continued)

Information regarding goodwill by segment, as well as Corporate & Other, was as follows:

| | U.S. | Asia (1) | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total |
|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | |
| Balance at January 1, 2016 | | | | | | | |
| Goodwill | $1,451 | $4,508 | $1,186 | $1,143 | $1,567 | $ 42 | $9,897 |
| Accumulated impairment (2) | — | — | — | — | (680) | — | (680) |
| Total goodwill, net | 1,451 | 4,508 | 1,186 | 1,143 | 887 | 42 | 9,217 |
| Dispositions (3) | — | — | — | — | — | (42) | (42) |
| Effect of foreign currency translation and other | — | 88 | 40 | (83) | — | — | 45 |
| Balance at December 31, 2016 | | | | | | | |
| Goodwill | 1,451 | 4,596 | 1,226 | 1,060 | 1,567 | — | 9,900 |
| Accumulated impairment | — | — | — | — | (680) | — | (680) |
| Total goodwill, net | 1,451 | 4,596 | 1,226 | 1,060 | 887 | — | 9,220 |
| Acquisition | — | — | — | — | — | 103 | 103 |
| Dispositions (4) | — | — | (16) | — | — | — | (16) |
| Effect of foreign currency translation and other | — | 77 | 96 | 110 | — | — | 283 |
| Balance at December 31, 2017 | | | | | | | |
| Goodwill | 1,451 | 4,673 | 1,306 | 1,170 | 1,567 | 103 | 10,270 |
| Accumulated impairment | — | — | — | — | (680) | — | (680) |
| Total goodwill, net | 1,451 | 4,673 | 1,306 | 1,170 | 887 | 103 | 9,590 |
| Effect of foreign currency translation and other | — | 17 | (134) | (51) | — | — | (168) |
| Balance at December 31, 2018 | | | | | | | |
| Goodwill | 1,451 | 4,690 | 1,172 | 1,119 | 1,567 | 103 | 10,102 |
| Accumulated impairment | — | — | — | — | (680) | — | (680) |
| Total goodwill, net | $1,451 | $4,690 | $1,172 | $1,119 | $887 | $ 103 | $9,422 |

(1) Includes goodwill of $4.5 billion, $4.5 billion and $4.4 billion from the Japan operations at December 31, 2018, 2017 and 2016, respectively.
(2) The $680 million accumulated impairment in the MetLife Holdings segment relates to the retail annuities business impaired in 2012 that was not part of the Separation. See Note 3.
(3) In connection with the U.S. Retail Advisor Force Divestiture, goodwill in Corporate & Other was reduced by $42 million for the year ended December 31, 2016. See Note 3.
(4) In connection with the disposition of MetLife Afore, goodwill was reduced by $16 million for the year ended December 31, 2017. See Note 3.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)

## 12. Long-term and Short-term Debt

Long-term and short-term debt outstanding, excluding debt relating to CSEs, was as follows:

| | Interest Rates (1) | | | December 31, 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Range | Weighted Average | Maturity | Face Value | Unamortized Discount and Issuance Costs | Carrying Value | Face Value | Unamortized Discount and Issuance Costs | Carrying Value |
| | | | | (In millions) | | | | | |
| Senior notes | 3.00%-6.50% | 4.96% | 2020-2046 | $11,923 | $ (79) | $11,844 | $14,685 | $ (86) | $14,599 |
| Surplus notes | 7.63%-7.88% | 7.79% | 2024-2025 | 507 | (4) | 503 | 507 | (5) | 502 |
| Other notes (2) | 2.99%-6.50% | 4.92% | 2020-2058 | 477 | $ (4) | 473 | 578 | (4) | 574 |
| Capital lease obligations | | | | 4 | — | 4 | 5 | — | 5 |
| Total long-term debt | | | | 12,911 | (87) | 12,824 | 15,775 | (95) | 15,680 |
| Total short-term debt | | | | 268 | — | 268 | 477 | — | 477 |
| Total | | | | $13,179 | $ (87) | $13,092 | $16,252 | $ (95) | $16,157 |

(1) Range of interest rates and weighted average interest rates are for the year ended December 31, 2018.
(2) During 2017, an affiliate issued $139 million of long-term debt to a third party.

The aggregate maturities of long-term debt at December 31, 2018 for the next five years and thereafter are $2 million in 2019, $512 million in 2020, $368 million in 2021, $797 million in 2022, $1.0 billion in 2023 and $10.1 billion thereafter.

Capital lease obligations are collateralized and rank highest in priority, followed by unsecured senior notes and other notes, followed by subordinated debt which consists of junior subordinated debt securities (see Note 14). Payments of interest and principal on the Company’s surplus notes, which are subordinate to all other obligations of the operating company issuing the notes and are senior to obligations of MetLife, Inc., may be made only with the prior approval of the insurance department of the state of domicile of the notes issuer. The Company’s collateral financing arrangement (see Note 13) is supported by surplus notes of a subsidiary and, accordingly, has priority consistent with surplus notes.

Certain of the Company’s debt instruments and committed facilities, as well as its unsecured revolving credit facility, contain various administrative, reporting, legal and financial covenants. The Company believes it was in compliance with all applicable financial covenants at December 31, 2018.

### Senior Notes

In June 2018, MetLife, Inc. sold FVO Brighthouse Common Stock in exchange for $944 million aggregate principal amount of MetLife Inc.’s senior notes. MetLife, Inc. purchased and canceled $343 million of its $1,035 million aggregate principal amount 6.817% senior notes due August 2018; $469 million of its $1,035 million aggregate principal amount 7.717% senior notes due February 2019 and $132 million of its $1,000 million aggregate principal amount 4.750% senior notes due February 2021. In June 2018, MetLife, Inc. additionally purchased for cash and canceled $160 million of its $1,035 million aggregate principal amount 6.817% senior notes due August 2018. The Company recorded a premium of $30 million paid in excess of the debt principal and incurred $37 million of advisory and other fees related to the exchange transaction to other expenses for the year ended December 31, 2018. See Note 3 for additional information on the FVO Brighthouse Common Stock exchange transaction.

In August 2018, MetLife, Inc. purchased for cash and canceled the remaining $566 million of its $1,035 million aggregate principal amount 7.717% senior notes due February 2019. The Company recorded a premium of $14

million paid in excess of the debt principal and accrued, unpaid interest to other expenses for the year ended December 31, 2018.
In December 2018, MetLife, Inc. purchased for cash and canceled an additional $500 million of its $1,000 million aggregate principal amount 4.750% senior notes due February 2021. The Company recorded a premium of $18 million paid in excess of the debt principal and accrued, unpaid interest to other expenses for the year ended December 31, 2018.

303

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
12. Long-term and Short-term Debt (continued)

Term Loans
MetLife Private Equity Holdings, LLC ("MPEH"), a wholly-owned indirect investment subsidiary of MLIC, borrowed $350 million in December 2015 under a five-year credit agreement included within other notes in the table above. In November 2017, this agreement was amended to extend the maturity to November 2022, change the amount MPEH may borrow on a revolving basis to $75 million from $100 million, and change the interest rate to a variable rate of three-month London Interbank Offered Rate ("LIBOR") plus 3.25%, payable quarterly, from a variable rate of three-month LIBOR plus 3.70%. In December 2018, this agreement was further amended to change the interest rate to a variable rate of three-month LIBOR plus 3.10%. In connection with the initial borrowing in 2015, $6 million of costs were incurred, and additional costs of $1 million were incurred in connection with the 2017 amendment, which have been capitalized and are being amortized over the term of the loans. MPEH has pledged invested assets to secure the loans; however, these loans are non-recourse to MLIC and MetLife, Inc. In December 2018, MPEH repaid $50 million of the initial borrowing.
Short-term Debt
Short-term debt with maturities of one year or less was as follows:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (Dollars in millions) | |
| Commercial paper | $ 99 | $ 100 |
| Short-term borrowings (1) | 169 | 377 |
| Total short-term debt | $ 268 | $ 477 |
| Average daily balance | $ 429 | $ 280 |
| Average days outstanding | 32 days | 27 days |

(1) Includes $169 million and $374 million at December 31, 2018 and 2017, respectively, of short-term debt related to repurchase agreements, secured by assets of subsidiaries.

During the years ended December 31, 2018, 2017 and 2016, the weighted average interest rate on short-term debt was 3.02%, 2.41% and 1.32%, respectively.
Interest Expense
Interest expense included in other expenses was $827 million, $841 million and $874 million for the years ended December 31, 2018, 2017 and 2016, respectively. Such amounts do not include interest expense on long-term debt related to CSEs, the collateral financing arrangement, or junior subordinated debt securities. See Notes 13 and 14.
Credit and Committed Facilities
At December 31, 2018, the Company maintained a $3.0 billion unsecured revolving credit facility (the "Credit Facility") and certain committed facilities (the "Committed Facilities") aggregating $3.3 billion. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.
Credit Facility
The Company's Credit Facility is used for general corporate purposes, to support the borrowers' commercial paper programs and for the issuance of letters of credit. Total fees associated with the Credit Facility were $10 million, $13 million and $15 million for the years ended December 31, 2018, 2017 and 2016, respectively, and were included in other expenses. Information on the Credit Facility at December 31, 2018 was as follows:

| Borrower(s) | Expiration | Maximum Capacity | Letters of Credit Issued | Drawdowns | Unused Commitments |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| | | (In millions) | | | |
| MetLife, Inc. and MetLife Funding, Inc. | December 2021 (1) | $3,000 (1) | $ 446 | $ — | $ 2,554 |

304

(1) All borrowings under the Credit Facility must be repaid by December 20, 2021, except that letters of credit outstanding upon termination may remain outstanding until December 20, 2022.

Committed Facilities

Letters of credit issued under the Committed Facilities are used for collateral for certain of the Company's affiliated reinsurance liabilities. Total fees associated with the Committed Facilities, included in other expenses, were $15 million, $21 million and $27 million for the years ended December 31, 2018, 2017 and 2016, respectively. Total fees associated with the Committed Facilities, included in income (loss) from discontinued operations, net of income tax, were $305 million and $69 million for the years ended December 31, 2017 and 2016, respectively. See Note 3 for fees associated with termination of financing arrangements included within 2017 amounts. Information on the Committed Facilities at December 31, 2018 was as follows:

| Account Party/Borrower(s) | Expiration | Maximum Capacity | Letters of Credit Issued | Drawdowns | Unused Commitments |
|---|---|---|---|---|---|
| | | (In millions) | | | |
| MetLife Reinsurance Company of Vermont and MetLife, Inc. | December 2024 (1), (2) | $400 | $385 | $ — | $ 15 |
| MetLife Reinsurance Company of Vermont and MetLife, Inc. | December 2037 (1), (3) | 2,896 | 2,420 | — | 476 |
| Total | | $3,296 | $2,805 | $ — | $ 491 |

(1) MetLife, Inc. is a guarantor under the applicable facility.

(2) Capacity decreases in June 2022, December 2022, June 2023, December 2023 and December 2024 to $380 million, $360 million, $310 million, $260 million and $0, respectively.

(3) Capacity at December 31, 2018 of $2.6 billion increases periodically to a maximum of $2.9 billion in 2024, decreases periodically commencing in 2025 to $2.0 billion in 2037, and decreases to $0 at expiration in December 2037. Unused commitment of $476 million is based on maximum capacity. At December 31, 2018, Brighthouse is a beneficiary of $2.4 billion of letters of credit issued under this facility and, in consideration, Brighthouse reimburses MetLife, Inc. for a portion of the letter of credit fees. See Note 3.

In addition to the Committed Facilities, see also "— Term Loans" for information about the undrawn line of credit facility in the amount of $75 million.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)

13. Collateral Financing Arrangement
Information related to the collateral financing arrangement associated with the closed block (see Note 7) was as follows at:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Surplus notes outstanding (1) | $1,060 | $1,121 |
| Receivable from unaffiliated financial institution (1) | $139 | $146 |
| Pledged collateral (2) | $83 | $97 |
| Assets held in trust (2) | $1,370 | $1,248 |

(1) Carrying value.
(2) Estimated fair value.

Interest expense on the collateral financing arrangement was $37 million, $30 million and $24 million for the years ended December 31, 2018, 2017 and 2016, respectively, which is included in other expenses.

In December 2007, MLIC reinsured a portion of its closed block liabilities to MetLife Reinsurance Company of Charleston (“MRC”), a wholly-owned subsidiary of MetLife, Inc. In connection with this transaction, MRC issued, to investors placed by an unaffiliated financial institution, $2.5 billion in aggregate principal amount of 35-year surplus notes to provide statutory reserve support for the assumed closed block liabilities. Interest on the surplus notes accrues at an annual rate of three-month LIBOR plus 0.55%, payable quarterly. The ability of MRC to make interest and principal payments on the surplus notes is contingent upon South Carolina regulatory approval.

Simultaneously with the issuance of the surplus notes, MetLife, Inc. entered into an agreement with the unaffiliated financial institution, under which MetLife, Inc. is entitled to the interest paid by MRC on the surplus notes of three-month LIBOR plus 0.55% in exchange for the payment of three-month LIBOR plus 1.12%, payable quarterly on such amount as adjusted, as described below. MetLife, Inc. may also be required to pledge collateral or make payments to the unaffiliated financial institution related to any decline in the estimated fair value of the surplus notes. Any such payments are accounted for as a receivable and included in other assets on the Company’s consolidated balance sheets and do not reduce the principal amount outstanding of the surplus notes. Such payments, however, reduce the amount of interest payments due from MetLife, Inc. under the agreement. Any payment received from the unaffiliated financial institution reduces the receivable by an amount equal to such payment and also increases the amount of interest payments due from MetLife, Inc. under the agreement. In addition, the unaffiliated financial institution may be required to pledge collateral to MetLife, Inc. related to any increase in the estimated fair value of the surplus notes. MetLife, Inc. may also be required to make a payment to the unaffiliated financial institution in connection with any early termination of this agreement.

During 2018, 2017 and 2016 following regulatory approval, MRC repurchased $61 million, $153 million and $68 million, respectively, in aggregate principal amount of the surplus notes. Cumulatively, since December 2007, MRC repurchased $1.4 billion in aggregate principal amount of the surplus notes as of December 31, 2018. Payments made by the Company in 2018, 2017 and 2016 associated with the repurchases were exclusive of accrued interest on the surplus notes. In connection with the repurchases during 2018, 2017 and 2016, the Company received payments in the aggregate amount of $7 million, $20 million and $8 million, respectively, from the unaffiliated financial institution, which reduced the amount receivable from the unaffiliated financial institution by the same amounts. No other payments related to an increase or decrease in the estimated fair value of the surplus notes were made by MetLife, Inc. or received from the unaffiliated financial institution during 2018, 2017 or 2016.

A majority of the proceeds from the offering of the surplus notes was placed in a trust, which is consolidated by the Company, to support MRC’s statutory obligations associated with the assumed closed block liabilities. During the year ended December 31, 2018, MRC transferred $97 million to the trust out of its general account. During the years ended December 31, 2017 and 2016, MRC transferred $3 million and $1 million, respectively, out of the trust to its general account. The assets are principally invested in fixed maturity securities AFS and are presented as such within the Company’s consolidated balance sheets, with the related income included within net investment income on the Company’s consolidated statements of operations.

306

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)

14. Junior Subordinated Debt Securities
Outstanding Junior Subordinated Debt Securities
Outstanding junior subordinated debt securities and exchangeable surplus trust securities which are exchangeable for junior subordinated debt securities prior to redemption or repayment, were as follows:

| | | | | | | December 31, | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 2018 | | | 2017 | | |
| Issuer | Issue Date | Interest Rate (1) | Scheduled Redemption Date | Interest Rate Subsequent to Scheduled Redemption Date (2) | Final Maturity | Face Value | Unamortized Discount and Issuance Costs | Carrying Value | Face Value | Unamortized Discount and Issuance Costs | Carrying Value |
| | | | | | | (In millions) | | | | | |
| MetLife, Inc. | December 2006 | 6.400% | December 2036 | LIBOR + 2.205% | December 2066 | $1,250 | $(19) | $1,231 | $1,250 | $(21) | $1,229 |
| MetLife Capital Trust IV (3) | December 2007 | 7.875% | December 2037 | LIBOR + 3.960% | December 2067 | 700 | (16) | 684 | 700 | (17) | 683 |
| MetLife, Inc. (4) | April 2008 | 9.250% | April 2038 | LIBOR + 5.540% | April 2068 | 750 | (11) | 739 | 750 | (11) | 739 |
| MetLife, Inc. | July 2009 | 10.750% | August 2039 | LIBOR + 7.548% | August 2069 | 500 | (7) | 493 | 500 | (7) | 493 |
| | | | | | | $3,200 | $(53) | $3,147 | $3,200 | $(56) | $3,144 |

(1) Prior to the scheduled redemption date, interest is payable semiannually in arrears.

(2) In the event the securities are not redeemed on or before the scheduled redemption date, interest will accrue after such date at an annual rate of three-month LIBOR plus the indicated margin, payable quarterly in arrears.

(3) MetLife Capital Trust IV is a VIE which is consolidated on the financial statements of the Company. The securities issued by this entity are exchangeable surplus trust securities, which are exchangeable for a like amount of MetLife, Inc.'s junior subordinated debt securities on the scheduled redemption date, mandatorily under certain circumstances, and at any time upon MetLife, Inc. exercising its option to redeem the securities.

(4) On February 10, 2017, in connection with the Separation, MetLife, Inc. exchanged $750 million aggregate principal amount of its 9.250% Fixed-to-Floating Rate Junior Subordinated Debentures due 2068 for $750 million aggregate liquidation preference of the 9.250% Fixed-to-Floating Rate Exchangeable Surplus Trust Securities of MetLife Capital Trust X (the "Trust"). As a result of the exchange, MetLife, Inc. became the sole beneficial owner of the Trust, an SPE, which issued the exchangeable surplus trust securities to third-party investors. On March 23, 2017, MetLife, Inc. dissolved the Trust.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
14. Junior Subordinated Debt Securities (continued)

In connection with each of the securities described above, MetLife, Inc. may redeem or may cause the redemption of the securities (i) in whole or in part, at any time on or after the date five years prior to the scheduled redemption date at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption, or (ii) in certain circumstances, in whole or in part, prior to the date five years prior to the scheduled redemption date at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption or, if greater, a make-whole price. MetLife, Inc. also has the right to, and in certain circumstances the requirement to, defer interest payments on the securities for a period up to 10 years. Interest compounds during such periods of deferral. If interest is deferred for more than five consecutive years, MetLife, Inc. is required to use proceeds from the sale of its common stock or warrants on common stock to satisfy this interest payment obligation. In connection with each of the securities described above, MetLife, Inc. entered into a separate replacement capital covenant (“RCC”). As part of each RCC, MetLife, Inc. agreed that it will not repay, redeem, or purchase the securities on or before a date 10 years prior to the final maturity date of each issuance, unless, subject to certain limitations, it has received cash proceeds during a specified period from the sale of specified replacement securities. Each RCC will terminate upon the occurrence of certain events, including an acceleration of the applicable securities due to the occurrence of an event of default. The RCCs are not intended for the benefit of holders of the securities and may not be enforced by them. Rather, each RCC is for the benefit of the holders of a designated series of MetLife, Inc.’s other indebtedness (the “Covered Debt”). Initially, the Covered Debt for each of the securities described above was MetLife, Inc.’s 5.700% senior notes due 2035 (the “5.700% Senior Notes”). As a result of the issuance of MetLife, Inc.’s 10.750% Fixed-to-Floating Rate Junior Subordinated Debentures due 2069 (the “10.750% JSDs”), the 10.750% JSDs became the Covered Debt with respect to, and in accordance with, the terms of the RCC relating to MetLife, Inc.’s 6.40% Fixed-to-Floating Rate Junior Subordinated Debentures due 2066. The 5.700% Senior Notes continue to be the Covered Debt with respect to, and in accordance with, the terms of the RCCs relating to each of MetLife Capital Trust IV’s 7.875% Fixed-to-Floating Rate Exchangeable Surplus Trust Securities, MetLife, Inc.’s 9.250% Fixed-to-Floating Rate Junior Subordinated Debentures and the 10.750% JSDs. MetLife, Inc. also entered into a replacement capital obligation which will commence during the six-month period prior to the scheduled redemption date of each of the securities described above and under which MetLife, Inc. must use reasonable commercial efforts to raise replacement capital to permit repayment of the securities through the issuance of certain qualifying capital securities.
Interest expense on outstanding junior subordinated debt securities was $258 million for each of the years ended December 31, 2018, 2017 and 2016, which is included in other expenses.

15. Equity

Preferred Stock

Preferred stock authorized, issued and outstanding was as follows:

| | December 31, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| Series | Shares Authorized | Shares Issued | Shares Outstanding | Shares Authorized | Shares Issued | Shares Outstanding |
| Series A preferred stock | 27,600,000 | 24,000,000 | 24,000,000 | 27,600,000 | 24,000,000 | 24,000,000 |
| Series C preferred stock | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Series D preferred stock | 500,000 | 500,000 | 500,000 | — | — | — |
| Series E preferred stock | 32,200 | 32,200 | 32,200 | — | — | — |
| Series A Junior Participating Preferred Stock | 10,000,000 | — | — | 10,000,000 | — | — |
| Not designated | 160,367,800 | — | — | 160,900,000 | — | — |
| Total | 200,000,000 | 26,032,200 | 26,032,200 | 200,000,000 | 25,500,000 | 25,500,000 |

In June 2018, MetLife, Inc. issued 32,200 shares of 5.625% Non-Cumulative Preferred Stock, Series E (the “Series E preferred stock”) with a $0.01 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $780 million. MetLife, Inc. deposited the Series E preferred stock under a deposit agreement with a depositary, which issued interests in fractional shares of the Series E preferred stock in the form of depositary shares ("Depositary Shares") evidenced by depositary receipts; each Depositary Share representing 1/1,000th interest in a share of the Series E preferred stock. In connection with the offering of the Depositary Shares, MetLife, Inc. incurred approximately $25 million of issuance costs which have been recorded as a reduction of additional paid-in capital.

In March 2018, MetLife, Inc. issued 500,000 shares of 5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D (the "Series D preferred stock") with a $0.01 par value per share and a liquidation preference of $1,000 per share, for aggregate net proceeds of $494 million. In connection with the offering of the Series D preferred stock, MetLife, Inc. incurred $6 million of issuance costs which have been recorded as a reduction of additional paid-in capital.

The outstanding preferred stock ranks senior to MetLife, Inc.'s common stock with respect to the payment of dividends and distributions upon liquidation, dissolution or winding-up. Holders of the outstanding preferred stock are entitled to receive dividend payments only when, as and if declared by MetLife, Inc.'s Board of Directors or a duly authorized committee thereof. Dividends on the preferred stock are not cumulative or mandatory. Accordingly, if dividends are not declared on the preferred stock of the applicable series for any dividend period, then any accrued dividends for that dividend period will cease to accrue and be payable. If a dividend is not declared before the dividend payment date for any such dividend period, MetLife, Inc. will have no obligation to pay dividends accrued for such dividend period whether or not dividends are declared for any future period. No dividends may be paid or declared on MetLife, Inc.'s common stock (or any other securities ranking junior to the preferred stock) and MetLife, Inc. may not purchase, redeem, or otherwise acquire its common stock (or other such junior stock) unless the full dividends for the latest completed dividend period on all outstanding shares of preferred stock, and any parity stock, have been declared and paid or provided for.

The table below presents the dividend rates of MetLife, Inc.'s preferred stock outstanding at December 31, 2018:

| Series | Per Annum Dividend Rate |
|---|---|
| A | Three-month LIBOR + 1.00%, with floor of 4.00%, payable quarterly in March, June, September and December |
| C | 5.250% from issuance date to, but excluding, June 15, 2020, payable semiannually in June and December; three-month LIBOR + 3.575%, payable quarterly in March, June, September and December, thereafter |
| D | 5.875% from issuance date to, but excluding, March 15, 2028, payable semiannually in March and September commencing in September 2018; three-month LIBOR + 2.959% payable quarterly in March, June, September and December, thereafter |
| E | 5.625% from issuance date, payable quarterly in March, June, September and December, commencing in September 2018 |

In the table above, dividends on each series of preferred stock are payable in arrears for the periods specified, if declared.

MetLife, Inc. is prohibited from declaring dividends on the Floating Rate Non-Cumulative Preferred Stock, Series A (the "Series A preferred stock") if it fails to meet specified capital adequacy, net income and stockholders' equity levels. See "— Dividend Restrictions — MetLife, Inc."

Holders of the preferred stock do not have voting rights except in certain circumstances, including where the dividends have not been paid for an equivalent of six or more dividend payment periods whether or not those periods are consecutive. Under such circumstances, the holders of the preferred stock have certain voting rights with respect to members of the Board of Directors of MetLife, Inc.

The preferred stock is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions. The Series A preferred stock is redeemable at MetLife, Inc.'s option in whole or in part, at a redemption price of $25 per share of preferred stock, plus declared and unpaid dividends.

MetLife, Inc. may, at its option, redeem the 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C (the "Series C preferred stock"), (i) in whole but not in part, at any time prior to June 15, 2020, within 90 days after the occurrence of a "regulatory capital event," and (ii) in whole or in part, from time to time, on or after June 15, 2020, in each case, at a redemption price equal to $1,000 per Series C preferred share, plus an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date. A "regulatory capital event" could occur as a result of a change or proposed change in capital adequacy rules (or the interpretation or application thereof) that would apply to MetLife, Inc. from rules (or the interpretation or application thereof) in effect with respect to bank holding companies as of June 1, 2015 that would create a more than insubstantial risk, as determined by MetLife, Inc., that the Series C preferred stock would not be treated as “Tier 1 Capital” or as capital with attributes similar to those of Tier 1 Capital.

Table of Contents


MetLife, Inc. may, at its option, redeem the Series D preferred stock, (i) in whole but not in part at any time prior to March 15, 2028, within 90 days after the occurrence of a "rating agency event," at a redemption price equal to $1,020 per share of Series D preferred stock, plus an amount equal to any dividends per share that have accrued but have not been declared and paid for the then-current dividend period to, but excluding, the redemption date; (ii) in whole but not in part, at any time prior to March 15, 2028, within 90 days after the occurrence of a "regulatory capital event"; and (iii) in whole or in part, from time to time, on or after March 15, 2028, in the case of (ii) or (iii), at a redemption price equal to $1,000 per share of Series D preferred stock, plus an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date.
MetLife, Inc. may, at its option, redeem the Series E preferred stock, (i) in whole but not in part at any time prior to June 15, 2023, within 90 days after the occurrence of a "rating agency event," at a redemption price equal to $25,500 per share of Series E preferred stock, plus an amount equal to any dividends per share that have accrued but have not been declared and paid for the then-current dividend period to, but excluding, the redemption date; (ii) in whole but not in part, at any time prior to June 15, 2023, within 90 days after the occurrence of a "regulatory capital event"; and (iii) in whole or in part, from time to time, on or after June 15, 2023, in the case of (ii) or (iii), at a redemption price equal to $25,000 per share of Series E preferred stock, plus an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date. A "rating agency event" means that any nationally recognized statistical rating organization that then publishes a rating for MetLife, Inc. amends, clarifies or changes the criteria used to assign equity credit to securities like the Series D preferred stock or Series E preferred stock, which results in the lowering of the equity credit assigned to the Series D preferred stock or Series E preferred stock, as applicable, or shortens the length of time that the Series D preferred stock or Series E preferred stock, as applicable, is assigned a particular level of equity credit. A "regulatory capital event" could occur as a result of a change or proposed change in capital adequacy rules (or the interpretation or application thereof) of any capital regulator, including but not limited to the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), the Federal Insurance Office, the National Association of Insurance Commissioners ("NAIC") or any state insurance regulator as may then have group-wide oversight of MetLife, Inc.'s regulatory capital, from rules (or the interpretation or application thereof) in effect as of March 22, 2018, in the case of the Series D preferred stock, or June 4, 2018, in the case of the Series E preferred stock, that would create a more than insubstantial risk, as determined by MetLife, Inc., that the Series D preferred stock or the Series E preferred stock, as applicable, would not be treated as "Tier 1 capital" or as capital with attributes similar to those of Tier 1 capital, except that a "regulatory capital event" will not include a change or proposed change (or the interpretation or application thereof) that would result in the adoption of any criteria substantially the same as the criteria in the capital adequacy rules of the Federal Reserve Board applicable to bank holding companies as of March 22, 2018, in the case of the Series D preferred stock, or June 4, 2018, in the case of the Series E preferred stock.
On December 31, 2018, RCCs related to the Series A preferred stock and the Series C preferred stock expired.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

The declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, Inc.'s preferred stock were as follows for the years ended December 31, 2018, 2017 and 2016:

| | | | Preferred Stock Dividend | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Series A | | Series C | | Series D | | Series E | |
| Declaration Date | Record Date | Payment Date | Per Share | Aggregate | Per Share | Aggregate | Per Share | Aggregate | Per Share | Aggregate |
| | | | (In millions, except per share data) | | | | | | | |
| Year Ended December 31, 2018 | | | | | | | | | | |
| November 15, 2018 | November 30, 2018 | December 17, 2018 | $0.253 | $ 6 | $26.250 | $ 40 | $— | $ — | $351.563 | $ 11 |
| August 15, 2018 | August 31, 2018 | September 17, 2018 | 0.256 | 6 | — | — | 28.233 | 14 | 394.531 | 12 |
| May 15, 2018 | May 31, 2018 | June 15, 2018 | 0.256 | 7 | 26.250 | 39 | — | — | — | — |
| March 5, 2018 | February 28, 2018 | March 15, 2018 | 0.250 | 6 | — | — | — | — | — | — |
| Total | | | $1.015 | $ 25 | $52.500 | $ 79 | $28.233 | $ 14 | $746.094 | $ 23 |
| Year Ended December 31, 2017 | | | | | | | | | | |
| November 15, 2017 | November 30, 2017 | December 15, 2017 | $0.253 | $ 6 | $26.250 | $ 39 | $— | $ — | $— | $ — |
| August 15, 2017 | August 31, 2017 | September 15, 2017 | 0.256 | 6 | — | — | — | — | — | — |
| May 15, 2017 | May 31, 2017 | June 15, 2017 | 0.256 | 7 | 26.250 | 39 | — | — | — | — |
| March 6, 2017 | February 28, 2017 | March 15, 2017 | 0.250 | 6 | — | — | — | — | — | — |
| Total | | | $1.015 | $ 25 | $52.500 | $ 78 | $— | $ — | $— | $ — |
| Year Ended December 31, 2016 | | | | | | | | | | |
| November 15, 2016 | November 30, 2016 | December 15, 2016 | $0.253 | $ 6 | $26.250 | $ 39 | $— | $ — | $— | $ — |
| August 15, 2016 | August 31, 2016 | September 15, 2016 | 0.256 | 6 | — | — | — | — | — | — |
| May 16, 2016 | May 31, 2016 | June 15, 2016 | 0.256 | 7 | 26.250 | 39 | — | — | — | — |
| March 7, 2016 | February 29, 2016 | March 15, 2016 | 0.253 | 6 | — | — | — | — | — | — |
| Total | | | $1.018 | $ 25 | $52.500 | $ 78 | $— | $ — | $— | $ — |

See Note 22 for information on subsequent preferred stock dividends declared.

Common Stock

Issuances

During the years ended December 31, 2018, 2017 and 2016, MetLife, Inc. issued 3,114,141 shares, 4,680,116 shares and 4,439,219 shares of its common stock for $108 million, $158 million and $166 million, respectively, in connection with stock option exercises and other stock-based awards. There were no shares of common stock issued from treasury stock for each of the years ended December 31, 2018, 2017 and 2016.

Repurchase Authorizations

In November 2016, MetLife, Inc. announced that its Board of Directors authorized $3.0 billion of common stock repurchases in addition to previously authorized repurchases. In November 2017, MetLife, Inc. announced that its Board of Directors authorized $2.0 billion of common stock repurchases. In May 2018 and November 2018, MetLife, Inc. announced that its Board of Directors authorized $1.5 billion and $2.0 billion of common stock repurchases, respectively.

During the years ended December 31, 2018, 2017 and 2016, MetLife, Inc. repurchased 88,029,138 shares, 56,599,540 shares and 6,948,739 shares under these repurchase authorizations for $4.0 billion, $2.9 billion, and $372 million, respectively. At December 31, 2018, MetLife, Inc. had $1.3 billion remaining under its common stock repurchase authorization. See Note 22 for information on subsequent common stock repurchases.

Under these authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 (“Exchange Act”)), and in privately negotiated transactions. Common stock repurchases are subject to the discretion of MetLife, Inc.’s Board of Directors and will depend upon the Company’s capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.’s common stock compared to management’s assessment of the stock’s underlying value, applicable regulatory approvals, and other legal and accounting factors.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

Dividends
The declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, Inc.'s common stock were as follows for the years ended December 31, 2018, 2017 and 2016:

| Declaration Date | Record Date | Payment Date | Dividend Per Share | Aggregate |
|---|---|---|---|---|
| | | | (In millions, except per share data) | |
| Year Ended December 31, 2018 | | | | |
| October 23, 2018 | November 6, 2018 | December 13, 2018 | $ 0.420 | $ 415 |
| July 6, 2018 | August 6, 2018 | September 13, 2018 | 0.420 | 419 |
| April 24, 2018 | May 7, 2018 | June 13, 2018 | 0.420 | 428 |
| January 5, 2018 | February 5, 2018 | March 13, 2018 | 0.400 | 416 |
| Total | | | $ 1.660 | $ 1,678 |
| Year Ended December 31, 2017 | | | | |
| October 24, 2017 | November 6, 2017 | December 13, 2017 | $ 0.400 | $ 422 |
| July 7, 2017 | August 7, 2017 | September 13, 2017 | 0.400 | 427 |
| April 25, 2017 | May 8, 2017 | June 13, 2017 | 0.400 | 431 |
| January 6, 2017 | February 6, 2017 | March 13, 2017 | 0.400 | 437 |
| Total | | | $ 1.600 | $ 1,717 |
| Year Ended December 31, 2016 | | | | |
| October 25, 2016 | November 7, 2016 | December 13, 2016 | $ 0.400 | $ 441 |
| July 7, 2016 | August 8, 2016 | September 13, 2016 | 0.400 | 441 |
| April 26, 2016 | May 9, 2016 | June 13, 2016 | 0.400 | 441 |
| January 6, 2016 | February 5, 2016 | March 14, 2016 | 0.375 | 413 |
| Total | | | $ 1.575 | $ 1,736 |

See Note 22 for information on subsequent common stock dividends declared.
The funding of the cash dividends and operating expenses of MetLife, Inc. is primarily provided by cash dividends from MetLife, Inc.'s insurance subsidiaries. The statutory capital and surplus, or net assets, of MetLife, Inc.'s insurance subsidiaries are subject to regulatory restrictions except to the extent that dividends are allowed to be paid in a given year without prior regulatory approval. Dividends exceeding these limitations can generally be made subject to regulatory approval. The nature and amount of these dividend restrictions, as well as the statutory capital and surplus of MetLife, Inc.'s U.S. insurance subsidiaries, are disclosed in "— Statutory Equity and Income" and "— Dividend Restrictions — Insurance Operations." MetLife, Inc.'s principal non-U.S. insurance operations are branches or subsidiaries of American Life Insurance Company ("American Life"), a U.S. insurance subsidiary of the Company. In addition, the payment of dividends by MetLife, Inc. to its shareholders is also subject to restrictions. See "— Dividend Restrictions — MetLife, Inc."

Stock-Based Compensation Plans

Plans for Employees and Agents

Under the MetLife, Inc. 2015 Stock and Incentive Compensation Plan (the “2015 Stock Plan”), MetLife, Inc. may grant awards to employees and agents in the form of Stock Options, Stock Appreciation Rights, Performance Shares or Performance Share Units, Restricted Stock or Restricted Stock Units, Cash-Based Awards and Stock-Based Awards (each, as applicable, as defined in the 2015 Stock Plan with reference to shares of MetLife, Inc. common stock (“Shares”)). Awards under the 2015 Stock Plan and its predecessor plan, the MetLife, Inc. 2005 Stock and Incentive Compensation Plan (the “2005 Stock Plan”) were outstanding at December 31, 2018. MetLife, Inc. granted all awards to employees and agents in 2018 under the 2015 Stock Plan.

The aggregate number of Shares authorized for issuance under the 2015 Stock Plan at December 31, 2018 was 37,344,024.

With the exception of Performance Shares MetLife, Inc. granted in 2013 through 2018, which are re-measured quarterly, MetLife recognizes compensation expense related to awards under the 2005 Stock Plan or 2015 Stock Plan based on the number of awards it expects to vest, which represents the awards granted less expected forfeitures over the life of the award, as estimated at the date of grant. Unless MetLife observes a material deviation from the assumed forfeiture rate during the term in which the awards are expensed, MetLife recognizes any adjustment necessary to reflect differences in actual experience in the period the award becomes payable or exercisable.

Compensation expense related to awards under the 2005 Stock Plan principally relates to the issuance of Stock Options. Under the 2015 Stock Plan, compensation expense principally relates to Stock Options, Unit Options, Performance Shares, Performance Units, Restricted Stock Units and Restricted Units. MetLife, Inc. granted the majority of each year's awards under the 2005 Stock Plan and 2015 Stock Plan in the first quarter of the year.

Awards that have become payable in Shares but the issuance of which has been deferred ("Deferred Shares"), payable to employees or agents related to awards under all plans equaled 1,188,792 Shares at December 31, 2018.

MetLife granted cash-settled awards based in whole or in part on the price of Shares or changes in the price of Shares ("Phantom Stock-Based Awards") under the MetLife, Inc. International Unit Option Incentive Plan, the MetLife International Performance Unit Incentive Plan, and the MetLife International Restricted Unit Incentive Plan prior to 2015, and under the 2015 Stock Plan in 2015 and later.

Plans for Non-Management Directors

Under the MetLife, Inc. 2015 Non-Management Director Stock Compensation Plan (the "2015 Director Stock Plan"), MetLife, Inc. may grant non-management Directors of MetLife, Inc. awards in the form of nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units, or Stock-Based Awards (each, as applicable, as defined in the 2015 Director Stock Plan with reference to Shares).

The only awards MetLife, Inc. granted under the 2015 Director Stock Plan and its predecessor plan, the MetLife, Inc. 2005 Non-Management Director Stock Compensation Plan (the "2005 Director Stock Plan"), through December 31, 2018 were Stock-Based Awards that vested immediately. As a result, no awards under the 2005 Director Stock Plan or 2015 Director Stock Plan remained outstanding at December 31, 2018.

The aggregate number of Shares authorized for issuance under the 2015 Director Stock Plan at December 31, 2018 was 1,660,961.

MetLife recognizes compensation expense related to awards under the 2015 Director Stock Plan based on the number of Shares awarded. MetLife, Inc. granted the majority of the awards in 2015 and 2016 under the 2015 Director Stock Plan in the second quarter of each year.

Deferred Shares payable to Directors related to awards under the 2005 Director Stock Plan, 2015 Director Stock Plan, or earlier applicable plans equaled 246,391 Shares at December 31, 2018.

Compensation Expense Related to Stock-Based Compensation

The components of compensation expense related to stock-based compensation includes compensation expense related to Phantom Stock-Based Awards, and excludes the insignificant compensation expense related to the 2015 Director Stock Plan. Those components were:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Stock Options and Unit Options | $6 | $8 | $9 |
| Performance Shares and Performance Units (1) | 23 | 62 | 75 |
| Restricted Stock Units and Restricted Units | 57 | 58 | 63 |
| Total compensation expense | $86 | $128 | $147 |
| Income tax benefit | $18 | $45 | $51 |

313

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

(1) The Company may further adjust the number of Performance Shares it expects to vest, and the related compensation expense, if management changes its estimate of the most likely final performance factor.

The following table presents the total unrecognized compensation expense related to stock-based compensation and the expected weighted average period over which these expenses will be recognized at:

| | December 31, 2018 | |
|---|---|---|
| | Expense | Weighted Average Period |
| | (In millions) | (Years) |
| Stock Options | $3 | 1.12 |
| Performance Shares | $21 | 1.72 |
| Restricted Stock Units | $32 | 1.27 |

Equity Awards

Stock Options

Stock Options are the contingent right of award holders to purchase Shares at a stated price for a limited time. All Stock Options have an exercise price equal to the closing price of a Share reported on the New York Stock Exchange ("NYSE") on the date of grant, and have a maximum term of 10 years. The majority of Stock Options MetLife, Inc. has granted have become or will become exercisable at a rate of one-third of each award on each of the first three anniversaries of the grant date. Other Stock Options have become or will become exercisable on the third anniversary of the grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances.

A summary of the activity related to Stock Options was as follows:

| | Shares Under Option | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value (1) |
|---|---|---|---|---|
| | | | (Years) | (In millions) |
| Outstanding at January 1, 2018 | 16,009,754 | $ 38.77 | 3.54 | $ 198 |
| Granted | 523,946 | $ 45.50 | | |
| Exercised | (1,611,987 ) | $ 33.68 | | |
| Expired (2) | (2,488,045 ) | $ 53.63 | | |
| Forfeited (3) | (78,374 ) | $ 41.90 | | |
| Outstanding at December 31, 2018 | 12,355,294 | $ 36.70 | 3.56 | $ 66 |
| Vested and expected to vest at December 31, 2018 | 12,343,714 | $ 36.70 | 3.55 | $ 66 |
| Exercisable at December 31, 2018 | 11,116,386 | $ 35.96 | 3.02 | $ 64 |

(1) The intrinsic value of each Stock Option is the closing price on a particular date less the exercise price of the Stock Option, so long as the difference is greater than zero. The aggregate intrinsic value of all outstanding Stock Options is computed using the closing Share price on December 31, 2018 of $41.06 and December 31, 2017 of $50.56, as applicable.
(2) Expired options were exercisable, but unexercised, as of their expiration date.
(3) Forfeited awards were either (a) unvested or unexercisable at the end of the awardholder's employment, where the awardholder did not meet the criteria for post-employment award continuation; or (b) held by awardholders the Company terminated from employment for cause as defined in the terms of the awards.

MetLife estimates the fair value of Stock Options on the date of grant using a binomial lattice model. The significant assumptions the Company uses in its binomial lattice model include: expected volatility of the price of Shares; risk-free rate of return; dividend yield on Shares; exercise multiple; and the post-vesting termination rate.

MetLife bases expected volatility on an analysis of historical prices of Shares and call options on Shares traded on the open market. The Company uses a weighted-average of the implied volatility for publicly-traded call options with the longest remaining maturity nearest to the money as of each valuation date and the historical volatility, calculated using monthly closing prices of Shares. The Company chose a monthly measurement interval for historical volatility as this interval reflects the Company's view that employee option exercise decisions are based on longer-term trends in the price of the underlying Shares rather than on daily price movements.

The Company's binomial lattice model incorporates different risk-free rates based on the imputed forward rates for U.S. Treasury Strips for each year over the contractual term of the option. The table below presents the full range of rates that were used for options granted during the respective periods.

The Company determines dividend yield based on historical dividend distributions compared to the price of the underlying Shares as of the valuation date and held constant over the life of the Stock Option.

The Company's binomial lattice model incorporates the term of the Stock Options, expected exercise behavior and a post-vesting termination rate, or the rate at which vested options are exercised or expire prematurely due to termination of employment. From these factors, the model derives an expected life of the Stock Option. The model's exercise behavior is a multiple that reflects the ratio of stock price at the time of exercise over the exercise price of the Stock Option at the time the model expects holders to exercise. The model derives the exercise multiple from actual exercise activity. The model determines the post-vesting termination rate from actual exercise experience and expiration activity under the Incentive Plans.

The following table presents the weighted average assumptions, with the exception of risk-free rate (which is expressed as a range), that the model uses to determine the fair value of unexercised Stock Options:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Dividend yield | 3.52% | 3.05% | 3.90% |
| Risk-free rate of return | 2.02% - 3.40% | 0.94% - 3.22% | 0.62% - 2.85% |
| Expected volatility | 34.18% | 34.19% | 33.58% |
| Exercise multiple | 1.43 | 1.43 | 1.43 |
| Post-vesting termination rate | 3.77% | 2.94% | 2.58% |
| Contractual term (years) | 10 | 10 | 10 |
| Expected life (years) | 6 | 6 | 7 |
| Weighted average exercise price of stock options granted | $45.50 | $46.85 | $34.33 |
| Weighted average fair value of stock options granted | $11.87 | $12.36 | $8.27 |

The following table presents a summary of Stock Option exercise activity:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Total intrinsic value of stock options exercised | $24 | $59 | $ 42 |
| Cash received from exercise of stock options | $54 | $116 | $ 84 |
| Income tax benefit realized from stock options exercised | $5 | $20 | $ 15 |

Performance Shares

Performance Shares are units that, if they vest, are multiplied by a performance factor to produce a number of final Performance Shares which are payable in Shares. MetLife accounts for Performance Shares as equity awards. MetLife, Inc. does not credit Performance Shares with dividend-equivalents for dividends paid on Shares.

Performance Share awards normally vest in their entirety at the end of the three-year performance period. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances.

For awards granted for the 2016 – 2018 and later performance periods in progress through December 31, 2018, the vested Performance Shares will be multiplied by a performance factor of 0% to 175% that the MetLife, Inc. Compensation Committee will determine in its discretion (subject to MetLife, Inc. meeting threshold performance goals related to its adjusted income or total shareholder return). In doing so, the Compensation Committee may consider MetLife, Inc.'s total shareholder return relative to the performance of its competitors and adjusted return on MetLife, Inc.'s common stockholders' equity relative to its financial plan. MetLife estimates the fair value of Performance Shares each quarter until they become payable. The performance factor for the 2015 - 2017 performance period was 46.3%.

Restricted Stock Units

Restricted Stock Units are units that, if they vest, are payable in an equal number of Shares. MetLife accounts for Restricted Stock Units as equity awards. MetLife, Inc. does not credit Restricted Stock Units with dividend-equivalents for dividends paid on Shares. Accordingly, the estimated fair value of Restricted Stock Units is based upon the closing price of Shares on the date of grant, reduced by the present value of estimated dividends to be paid on that stock.

The majority of Restricted Stock Units normally vest in thirds on or shortly after the first three anniversaries of their grant date. Other Restricted Stock Units normally vest in their entirety on the third or later anniversary of their grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances.

The following table presents a summary of Performance Share and Restricted Stock Unit activity:

| | Performance Shares | | Restricted Stock Units | |
|---|---|---|---|---|
| | Shares | Weighted Average Fair Value (1) | Units | Weighted Average Fair Value (1) |
| Outstanding at January 1, 2018 | 4,033,760 | $ 46.02 | 3,304,377 | $ 37.17 |
| Granted | 1,405,903 | $ 34.31 | 1,446,289 | $ 40.00 |
| Forfeited (2) | (201,146 ) | $ 40.88 | (201,914 ) | $ 38.79 |
| Payable (3) | (1,194,283) | $ 46.34 | (1,602,483) | $ 37.04 |
| Outstanding at December 31, 2018 | 4,044,234 | $ 34.18 | 2,946,269 | $ 38.52 |
| Vested and expected to vest at December 31, 2018 | 3,984,022 | $ 34.18 | 2,903,433 | $ 38.49 |

(1) Values for awards outstanding at January 1, 2018, represent weighted average number of awards multiplied by the fair value per Share at December 31, 2017. Otherwise, all values represent weighted average of number of awards multiplied by the fair value per Share at December 31, 2018. Fair value of Restricted Stock Units on December 31, 2018 was equal to Grant Date fair value.

(2) Forfeited awards were either (a) unvested or unexercisable at the end of the awardholder's employment, where the awardholder did not meet the criteria for post-employment award continuation; or (b) held by awardholders the Company terminated from employment for cause as defined in the terms of the awards.

(3) Includes both Shares paid and Deferred Shares for later payment.

Performance Share amounts above represent aggregate awards at target, and do not reflect potential increases or decreases that may result from the performance factor. At December 31, 2018, the performance period for the 2016 — 2018 Performance Share grants was completed, but the performance factor had not yet been determined. Included in the immediately preceding table are 1,594,846 outstanding Performance Shares to which the 2016 — 2018 performance factor will be applied.

Liability Awards (Phantom Stock-Based Awards)

Certain MetLife subsidiaries have a liability for Phantom Stock-Based Awards in the form of Unit Options, Performance Units, and/or Restricted Units. These Share-based cash settled awards are recorded as liabilities until MetLife makes payment. The fair value of unsettled or unvested liability awards is re-measured at the end of each reporting period based on the change in fair value of one Share. The liability and corresponding expense are adjusted accordingly until the award is settled.

Unit Options

Unit Options are the contingent right of award holders to receive a cash payment equal to the closing price of a Share on the exercise date, less the closing price on the grant date, if the difference is greater than zero, for a limited time. All Unit Options have an exercise price equal to the closing price of a Share reported on the NYSE on the date of grant, and have a maximum term of 10 years. The majority of Unit Options have become or will become eligible for exercise at a rate of one-third of each award on each of the first three anniversaries of the grant date. Other Unit Options have become or will become eligible for exercise on the third anniversary of the grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances.

Performance Units

Performance Units are units that, if they vest, are multiplied by a performance factor to produce a number of final Performance Units which are payable in cash equal to the closing price of a Share on a date following the last day of the three-year performance period. Performance Units are accounted for as liability awards. MetLife, Inc. does not credit them with dividend-equivalents for dividends paid on Shares. Accordingly, the estimated fair value of Performance Units is based upon the closing price of a Share on the date of grant, reduced by the present value of estimated dividends to be paid on that stock during the performance period.

See "— Equity Awards — Performance Shares" for a discussion of the Performance Shares vesting period and performance factor calculation, which are also used for Performance Units.

Restricted Units

Restricted Units are units that, if they vest, are payable in cash equal to the closing price of a Share on the last day of the restriction period. The majority of Restricted Units normally vest in thirds on or shortly after the first three anniversaries of their grant date. Other Restricted Units normally vest in their entirety on the third or later anniversary of their grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances. Restricted Units are accounted for as liability awards. MetLife, Inc. does not credit Restricted Units with dividend-equivalents for dividends paid on Shares. Accordingly, the estimated fair value of Restricted Units is based upon the closing price of a Share on the date of grant, reduced by the present value of estimated dividends to be paid on that stock during the performance period.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

The following table presents a summary of Liability Awards activity:

| | Unit Options | Performance Units | Restricted Units |
|---|---|---|---|
| Outstanding at January 1, 2018 | 681,012 | 688,229 | 779,076 |
| Granted | 37,904 | 235,076 | 392,549 |
| Exercised | (54,361) | — | — |
| Expired (1) | (118,107) | — | — |
| Forfeited (2) | — | (142,621) | (140,321) |
| Paid | — | (186,085) | (362,202) |
| Outstanding at December 31, 2018 | 546,448 | 594,599 | 669,102 |
| Vested and expected to vest at December 31, 2018 | 539,165 | 577,005 | 651,263 |

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(1) Expired options were exercisable, but unexercised, as of their expiration date.
(2) Forfeited awards were either (a) unvested or unexercisable at the end of the awardholder's employment, where the awardholder did not meet the criteria for post-employment award continuation; or (b) held by awardholders the Company terminated from employment for cause as defined in the terms of the awards.

Performance Units amounts above represent aggregate awards at target, and do not reflect potential increases or decreases that may result from the performance factor. At December 31, 2018, the performance period for the 2016 - 2018 Performance Unit grants was completed, but the performance factor had not yet been determined. Included in the immediately preceding table are 212,464 outstanding Performance Units to which the 2016 - 2018 performance factor will be applied.

Statutory Equity and Income

The states of domicile of MetLife, Inc.'s U.S. insurance subsidiaries each impose risk-based capital ("RBC") requirements that were developed by the NAIC. American Life does not write business in Delaware or any other U.S. state and, as such, is exempt from RBC requirements by Delaware law. Regulatory compliance is determined by a ratio of a company's total adjusted capital, calculated in the manner prescribed by the NAIC ("TAC") to its authorized control level RBC, calculated in the manner prescribed by the NAIC ("ACL RBC"), based on the statutory-based filed financial statements. Companies below specific trigger levels or ratios are classified by their respective levels, each of which requires specified corrective action. The minimum level of TAC before corrective action commences is twice ACL RBC ("Company Action Level RBC"). While not required by or filed with insurance regulators, the Company also calculates an internally defined combined RBC ratio ("Statement-Based Combined RBC Ratio"), which is determined by dividing the sum of TAC for MetLife, Inc.'s principal U.S. insurance subsidiaries, excluding American Life, by the sum of Company Action Level RBC for such subsidiaries. The Company's Statement-Based Combined RBC Ratio was in excess of 360% and in excess of 390% at December 31, 2018 and 2017, respectively. In addition, all non-exempted U.S. insurance subsidiaries individually exceeded Company Action Level RBC for all periods presented.

MetLife, Inc.'s foreign insurance operations are regulated by applicable authorities of the jurisdictions in which each entity operates and are subject to minimum capital and solvency requirements in those jurisdictions before corrective action commences. At December 31, 2018 and 2017, the adjusted capital of American Life's insurance subsidiary in Japan, the Company's largest foreign insurance operation, was in excess of four times the 200% solvency margin ratio that would require corrective action. Excluding Japan, the aggregate required capital and surplus of the Company's other foreign insurance operations was $4.1 billion and the aggregate actual regulatory capital and surplus of such operations was $11.1 billion as of the date of the most recent required capital adequacy calculation for each jurisdiction. The Company's foreign insurance operations exceeded the minimum capital and solvency requirements as of the date of the most recent fiscal year-end capital adequacy calculation for each jurisdiction, with immaterial exceptions.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

MetLife, Inc.'s insurance subsidiaries prepare statutory-basis financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of the state of domicile or applicable foreign jurisdiction. The NAIC has adopted the Codification of Statutory Accounting Principles ("Statutory Codification"). Statutory Codification is intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting principles continue to be established by individual state laws and permitted practices. Modifications by the various state insurance departments may impact the effect of Statutory Codification on the statutory capital and surplus of MetLife, Inc.'s U.S. insurance subsidiaries.

Statutory accounting principles differ from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, reporting surplus notes as surplus instead of debt and valuing securities on a different basis.

In addition, certain assets are not admitted under statutory accounting principles and are charged directly to surplus. The most significant assets not admitted by the Company are net deferred income tax assets resulting from temporary differences between statutory accounting principles basis and tax basis not expected to reverse and become recoverable within three years. Further, statutory accounting principles do not give recognition to purchase accounting adjustments. MetLife, Inc.'s U.S. insurance subsidiaries have no material state prescribed accounting practices, except as described below.

New York has adopted certain prescribed accounting practices, primarily consisting of the continuous Commissioners' Annuity Reserve Valuation Method, which impacts deferred annuities, and the New York Special Consideration Letter, which mandates certain assumptions in asset adequacy testing. The collective impact of these prescribed accounting practices decreased the statutory capital and surplus of MLIC for the years ended December 31, 2018 and 2017 by $1.2 billion and $1.1 billion, respectively, compared to what capital and surplus would have been had it been measured under NAIC guidance.

American Life calculates its policyholder reserves on insurance written in each foreign jurisdiction in accordance with the reserve standards required by such jurisdiction. Additionally, American Life's insurance subsidiaries are valued based on each respective subsidiary's underlying local statutory equity, adjusted in a manner consistent with the reporting prescribed for its branch operations. The prescribed practice exempts American Life from calculating and disclosing the impact to its statutory capital and surplus. The tables below present amounts from MetLife, Inc.'s U.S. insurance subsidiaries, which are derived from the statutory-basis financial statements as filed with the insurance regulators.

Statutory net income (loss) was as follows:

| Company | State of Domicile | Years Ended December 31, | | |
|---|---|---|---|---|
| | | 2018 | 2017 | 2016 |
| | | (In millions) | | |
| Metropolitan Life Insurance Company (1) | New York | $3,656 | $1,982 | $3,444 |
| American Life Insurance Company | Delaware | $2,086 | $3,077 | $341 |
| Brighthouse Life Insurance Company (2) | Delaware | N/A | N/A | $1,186 |
| Metropolitan Property and Casualty Insurance Company | Rhode Island | $345 | $197 | $171 |
| Metropolitan Tower Life Insurance Company (3) | Nebraska | $76 | $164 | $8 |
| New England Life Insurance Company (2) | Massachusetts | N/A | N/A | $109 |
| Other (4) | Various | $16 | $11 | $(70) |

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(1) In December 2016, MLIC transferred all of the issued and outstanding shares of the common stock of each of New England Life Insurance Company ("NELICO") and General American Life Insurance Company ("GALIC") to MetLife, Inc., in the form of a non-cash extraordinary dividend.

(2)

In April 2017, in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of common stock of each of Brighthouse Insurance and NELICO to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse Insurance and NELICO ceased to be subsidiaries of MetLife, Inc.

(3) In April 2018, Metropolitan Tower Life Insurance Company ("MTL") merged with GALIC ("MTL Merger"). The surviving entity of the merger was MTL, which re-domesticated from Delaware to Nebraska immediately prior to the merger. For the year ended December 31, 2016, MTL's statutory net income (loss) is as filed with the Delaware Department of Insurance and accordingly, does not include GALIC's statutory net income (loss) of ($2) million.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

(4) In April 2017, in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of Brighthouse Life Insurance Company of NY ("Brighthouse NY") to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse NY ceased to be a subsidiary of MetLife, Inc. For the year ended December 31, 2016, statutory net income (loss) of Brighthouse NY was ($87) million.

Statutory capital and surplus was as follows at:

| Company | December 31, 2018 | 2017 |
|---|---|---|
| | (In millions) | |
| Metropolitan Life Insurance Company | $11,098 | $10,384 |
| American Life Insurance Company | $4,921 | $6,548 |
| Metropolitan Property and Casualty Insurance Company | $2,322 | $2,266 |
| Metropolitan Tower Life Insurance Company (1) | $1,549 | $1,751 |
| Other | $106 | $100 |

(1) See discussion of MTL Merger above.

The Company's U.S. captive life reinsurance subsidiaries, which reinsure risks including the closed block, level premium term life and ULSG assumed from other MetLife subsidiaries, have no state prescribed accounting practices, except for MRV.

MRV, with the explicit permission of the Commissioner of Insurance of the State of Vermont, has included, as admitted assets, the value of letters of credit serving as collateral for reinsurance credit taken by various affiliated cedants, in connection with reinsurance agreements entered into between MRV and the various affiliated cedants, which resulted in higher statutory capital and surplus of $2.8 billion and $2.7 billion for the years ended December 31, 2018 and 2017, respectively. MRV's RBC would have triggered a regulatory event without the use of the state prescribed practice.

The combined statutory net income (loss) of MetLife, Inc.'s U.S. captive life reinsurance subsidiaries was ($59) million, $2.1 billion and ($344) million for the years ended December 2018, 2017 and 2016, respectively, and the combined statutory capital and surplus, including the aforementioned prescribed practice, was $1.7 billion at both December 31, 2018 and 2017.

Dividend Restrictions

Insurance Operations

The table below sets forth the dividends permitted to be paid by MetLife, Inc.'s primary insurance subsidiaries without insurance regulatory approval and the actual dividends paid:

| Company | 2019 Permitted Without Approval (1) | 2018 Paid (2) | 2017 Paid (2) |
|---|---|---|---|
| | (In millions) | | |
| Metropolitan Life Insurance Company | $3,096 | $3,736 | $2,523 |
| American Life Insurance Company | $— | $3,200 | $2,200 |
| Metropolitan Property and Casualty Insurance Company | $171 | $233 | $185 |
| Metropolitan Tower Life Insurance Company (3) | $154 | $191 | $— |
| General American Life Insurance Company (3) | N/A | $— | $1 |

(1) Reflects dividend amounts that may be paid by the end of 2019 without prior regulatory approval.
(2) Reflects all amounts paid, including those where regulatory approval was obtained as required.
(3) See discussion of MTL Merger above.

320

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

Under the New York State Insurance Law, MLIC is permitted, without prior insurance regulatory clearance, to pay stockholder dividends to MetLife, Inc. in any calendar year based on either of two standards. Under one standard, MLIC is permitted, without prior insurance regulatory clearance, to pay dividends out of earned surplus (defined as positive unassigned funds (surplus), excluding 85% of the change in net unrealized capital gains or losses (less capital gains tax), for the immediately preceding calendar year), in an amount up to the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains), not to exceed 30% of surplus to policyholders as of the end of the immediately preceding calendar year. In addition, under this standard, MLIC may not, without prior insurance regulatory clearance, pay any dividends in any calendar year immediately following a calendar year for which its net gain from operations, excluding realized capital gains, was negative. Under the second standard, if dividends are paid out of other than earned surplus, MLIC may, without prior insurance regulatory clearance, pay an amount up to the lesser of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains). In addition, MLIC will be permitted to pay a dividend to MetLife, Inc. in excess of the amounts allowed under both standards only if it files notice of its intention to declare such a dividend and the amount thereof with the New York Superintendent of Financial Services (the “Superintendent”) and the Superintendent either approves the distribution of the dividend or does not disapprove the dividend within 30 days of its filing. Under the New York State Insurance Law, the Superintendent has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholder.

Under the Delaware Insurance Code, American Life is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend to MetLife, Inc. as long as the amount of the dividend, when aggregated with all other dividends in the preceding 12 months, does not exceed the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its net statutory gain from operations for the immediately preceding calendar year (excluding realized capital gains), not including pro rata distributions of American Life’s own securities. American Life will be permitted to pay a dividend to MetLife, Inc. in excess of the greater of such two amounts only if it files notice of the declaration of such a dividend and the amount thereof with the Delaware Commissioner of Insurance (the “Delaware Commissioner”) and the Delaware Commissioner either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. In addition, any dividend that exceeds earned surplus (defined as “unassigned funds (surplus)”) as of the immediately preceding calendar year requires insurance regulatory approval. Under the Delaware Insurance Code, the Delaware Commissioner has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.

Under the Rhode Island Insurance Code, Metropolitan Property and Casualty Insurance Company (“MPC”) is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend to MetLife, Inc. as long as the aggregate amount of all such dividends in any 12 month period does not exceed the lesser of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) net income, not including realized capital gains, for the immediately preceding calendar year, not including pro rata distributions of MPC’s own securities. In determining whether a dividend is extraordinary, MPC may include carry forward net income from the previous two calendar years, excluding realized capital gains less dividends paid in the second and immediately preceding calendar years. MPC will be permitted to pay a dividend to MetLife, Inc. in excess of the lesser of such two amounts only if it files notice of its intention to declare such a dividend and the amount thereof with the Rhode Island Commissioner of Insurance (the “Rhode Island Commissioner”) and the Rhode Island Commissioner either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. Under the Rhode Island Insurance Code, the Rhode Island Commissioner has broad discretion in determining whether the financial condition of a stock property and casualty insurance company would support the payment of such dividends to its stockholders.

Under the Nebraska Insurance Code, MTL is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend to MetLife, Inc. as long as the amount of the dividend, when aggregated with all other dividends in the preceding 12 months, does not exceed the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its net statutory gain from operations for the immediately preceding calendar year (excluding realized capital gains), not including pro rata distributions of MTL's own securities. MTL will be permitted to pay a dividend to MetLife, Inc. in excess of the greater of such two amounts only if it files notice of the declaration of such a dividend and the amount thereof with the Director of the Nebraska Department of Insurance (the "Nebraska Director") and the Nebraska Director either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. In addition, any dividend that exceeds earned surplus (defined as "unassigned funds (surplus)"), excluding unrealized capital gains) as of the immediately preceding calendar year requires insurance regulatory approval. Under the Nebraska Insurance Code, the Nebraska Director has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.

MetLife, Inc.

In addition to regulatory restrictions on the payment of dividends by its insurance subsidiaries to MetLife, Inc., the payment of dividends by MetLife, Inc. to its stockholders is also subject to other restrictions. The declaration and payment of dividends are subject to the discretion of MetLife, Inc.'s Board of Directors and will depend on its financial condition, results of operations, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. In addition, the payment of dividends on MetLife, Inc.'s common stock, and MetLife, Inc.'s ability to repurchase its common stock, may be subject to restrictions described below arising under the terms of MetLife, Inc.'s Series A preferred stock and its junior subordinated debentures in situations where MetLife, Inc. may be experiencing financial stress, as described below. For purposes of this discussion, "junior subordinated debentures" are deemed to include MetLife, Inc.'s Fixed-to-Floating Rate Exchangeable Surplus Trust Securities, as discussed in Note 14.

"Dividend Stopper" Provisions in the Preferred Stock and Junior Subordinated Debentures. If MetLife, Inc. has not paid the full dividends on its preferred stock for the latest completed dividend period, MetLife, Inc. may not repurchase or pay dividends on its common stock during a dividend period under so-called "dividend stopper" provisions. Further, MetLife, Inc.'s Series A preferred stock and its junior subordinated debentures contain provisions that would suspend the payment of preferred stock dividends and interest on junior subordinated debentures if MetLife, Inc. fails to meet certain risk-based capital ratio, net income and stockholders' equity tests at specified times, except to the extent of the net proceeds from the issuance of certain securities during specified periods. If Series A preferred stock dividends or interest on junior subordinated debentures are not paid, certain provisions in those instruments (including under "dividend stopper" provisions) may restrict MetLife, Inc. from repurchasing its common or preferred stock or paying dividends on its common or preferred stock and interest on its junior subordinated debentures.

The junior subordinated debentures further provide that MetLife, Inc. may, at its option and provided that certain conditions are met, defer payment of interest without giving rise to an event of default for periods of up to 10 years. In that case, after five years MetLife, Inc. would be obligated to use commercially reasonable efforts to sell equity securities to raise proceeds to pay the interest. MetLife, Inc. would not be subject to limitations on the number of deferral periods that MetLife, Inc. could begin, so long as all accrued and unpaid interest is paid with respect to prior deferral periods. If MetLife, Inc. were to defer payments of interest, the "dividend stopper" provisions in the junior subordinated debentures would thus prevent MetLife, Inc. from repurchasing or paying dividends on its common stock or other capital stock (including the preferred stock) during the period of deferral, subject to exceptions.

MetLife, Inc. is a party to certain RCCs which limit its ability to eliminate these restrictions through the repayment, redemption or purchase of junior subordinated debentures by requiring MetLife, Inc., with some limitations, to receive cash proceeds during a specified period from the sale of specified replacement securities prior to any repayment, redemption or purchase. See Note 14 for a description of such covenants.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

Accumulated Other Comprehensive Income (Loss)
Information regarding changes in the balances of each component of AOCI attributable to MetLife, Inc., was as follows:

| | Unrealized Investment Gains (Losses), Net of Related Offsets (1) | Unrealized Gains (Losses) on Derivatives | Foreign Currency Translation Adjustments | Defined Benefit Plans Adjustment | Total |
|---|---|---|---|---|---|
| | (In millions) | | | | |
| Balance at December 31, 2015 | $10,311 | $ 1,458 | $ (4,950) | $ (2,052) | $4,767 |
| OCI before reclassifications | 800 | 344 | (476) | (62) | 606 |
| Deferred income tax benefit (expense) | (338) | (100) | 114 | 24 | (300) |
| AOCI before reclassifications, net of income tax | 10,773 | 1,702 | (5,312) | (2,090) | 5,073 |
| Amounts reclassified from AOCI | 21 | 229 | — | 193 | 443 |
| Deferred income tax benefit (expense) | (9) | (66) | — | (75) | (150) |
| Amounts reclassified from AOCI, net of income tax | 12 | 163 | — | 118 | 293 |
| Balance at December 31, 2016 | 10,785 | 1,865 | (5,312) | (1,972) | 5,366 |
| OCI before reclassifications | 5,392 | (140) | 765 | (23) | 5,994 |
| Deferred income tax benefit (expense) | (1,732) | 47 | 125 | 8 | (1,552) |
| AOCI before reclassifications, net of income tax | 14,445 | 1,772 | (4,422) | (1,987) | 9,808 |
| Amounts reclassified from AOCI | (289) | (1,025) | — | 167 | (1,147) |
| Deferred income tax benefit (expense) | 87 | 356 | — | (43) | 400 |
| Amounts reclassified from AOCI, net of income tax | (202) | (669) | — | 124 | (747) |
| Disposal of subsidiary (3) | (2,286) | (305) | 51 | 28 | (2,512) |
| Deferred income tax benefit (expense) | 800 | 107 | (19) | (10) | 878 |
| Disposal of subsidiary, net of income tax | (1,486) | (198) | 32 | 18 | (1,634) |
| Balance at December 31, 2017 | 12,757 | 905 | (4,390) | (1,845) | 7,427 |
| OCI before reclassifications | (8,735) | 157 | (679) | 143 | (9,114) |
| Deferred income tax benefit (expense) | 1,961 | (41) | 36 | (35) | 1,921 |
| AOCI before reclassifications, net of income tax | 5,983 | 1,021 | (5,033) | (1,737) | 234 |
| Amounts reclassified from AOCI | 14 | 517 | — | 120 | 651 |
| Deferred income tax benefit (expense) | (3) | (135) | — | (29) | (167) |
| Amounts reclassified from AOCI, net of income tax | 11 | 382 | — | 91 | 484 |
| Cumulative effects of changes in accounting principles | (425) | — | — | — | (425) |
| Deferred income tax benefit (expense), cumulative effects of changes in accounting principles | 1,473 | 210 | 36 | (382) | 1,337 |
| Cumulative effects of changes in accounting principles, net of income tax (2) | 1,048 | 210 | 36 | (382) | 912 |
| Sale of subsidiary (3) | — | — | 92 | — | 92 |
| Balance at December 31, 2018 | $7,042 | $ 1,613 | $ (4,905) | $ (2,028) | $1,722 |

(1) See Note 8 for information on offsets to investments related to future policy benefits, DAC, VOBA and DSI, and the policyholder dividend obligation.
(2) See Note 1 for further information on adoption of new accounting pronouncements.
(3) See Note 3.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

Information regarding amounts reclassified out of each component of AOCI was as follows:

| AOCI Components | Amounts Reclassified from AOCI Years Ended December 31, | | | Consolidated Statements of Operations Locations |
|---|---|---|---|---|
| | 2018 | 2017 | 2016 | |
| | (In millions) | | | |
| Net unrealized investment gains (losses): | | | | |
| Net unrealized investment gains (losses) | $6 | $404 | $78 | Net investment gains (losses) |
| Net unrealized investment gains (losses) | (1) | 20 | 39 | Net investment income |
| Net unrealized investment gains (losses) | (19) | (49) | (37) | Net derivative gains (losses) |
| Net unrealized investment gains (losses) | — | (86) | (101) | Discontinued operations |
| Net unrealized investment gains (losses), before income tax | (14) | 289 | (21) | |
| Income tax (expense) benefit | 3 | (87) | 9 | |
| Net unrealized investment gains (losses), net of income tax | (11) | 202 | (12) | |
| Unrealized gains (losses) on derivatives - cash flow hedges: | | | | |
| Interest rate swaps | 23 | 24 | 56 | Net derivative gains (losses) |
| Interest rate swaps | 18 | 16 | 12 | Net investment income |
| Interest rate swaps | — | 2 | 36 | Discontinued operations |
| Interest rate forwards | (2) | (11) | (1) | Net derivative gains (losses) |
| Interest rate forwards | 2 | 2 | 4 | Net investment income |
| Interest rate forwards | 1 | 1 | 1 | Other expenses |
| Interest rate forwards | — | 3 | 4 | Discontinued operations |
| Foreign currency swaps | (558) | 974 | (350) | Net derivative gains (losses) |
| Foreign currency swaps | (5) | — | (2) | Net investment income |
| Foreign currency swaps | 2 | 2 | 2 | Other expenses |
| Foreign currency swaps | — | 11 | 5 | Discontinued operations |
| Credit forwards | 1 | 1 | 3 | Net derivative gains (losses) |
| Credit forwards | 1 | — | 1 | Net investment income |
| Gains (losses) on cash flow hedges, before income tax | (517) | 1,025 | (229) | |
| Income tax (expense) benefit | 135 | (356) | 66 | |
| Gains (losses) on cash flow hedges, net of income tax | (382) | 669 | (163) | |
| Defined benefit plans adjustment: (1) | | | | |
| Amortization of net actuarial gains (losses) | (145) | (190) | (199) | |
| Amortization of prior service (costs) credit | 25 | 23 | 6 | |
| Amortization of defined benefit plan items, before income tax | (120) | (167) | (193) | |
| Income tax (expense) benefit | 29 | 43 | 75 | |
| Amortization of defined benefit plan items, net of income tax | (91) | (124) | (118) | |
| Total reclassifications, net of income tax | $(484) | $747 | $(293) | |

(1) These AOCI components are included in the computation of net periodic benefit costs. See Note 17.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)

## 16. Other Revenues and Other Expenses
### Other Revenues
Information on other revenues, which primarily includes fees related to service contracts from customers, was as follows:

| | Year Ended December 31, 2018 |
|---|---|
| | (In millions) |
| Prepaid legal plans | $ 296 |
| Fee-based investment management | 293 |
| Recordkeeping and administrative services (1) | 221 |
| Administrative services-only contracts | 205 |
| Other revenue from service contracts from customers | 241 |
| Total revenues from service contracts from customers | $ 1,256 |
| Other | 624 |
| Total other revenues | $ 1,880 |

(1) Related to products and businesses no longer actively marketed by the Company.

### Other Expenses
Information on other expenses was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Employee related costs | $3,664 | $3,595 | $3,840 |
| Third party staffing costs | 1,703 | 1,693 | 1,619 |
| General and administrative expenses | 910 | 1,129 | 1,007 |
| Pension, postretirement and postemployment benefit costs | 185 | 307 | 400 |
| Premium taxes, other taxes, and licenses & fees | 758 | 842 | 688 |
| Commissions and other variable expenses | 5,707 | 5,387 | 5,741 |
| Capitalization of DAC | (3,254) | (3,002) | (3,152) |
| Amortization of DAC and VOBA | 2,975 | 2,681 | 2,718 |
| Amortization of negative VOBA | (56) | (140) | (269) |
| Interest expense on debt | 1,122 | 1,129 | 1,157 |
| Total other expenses | $13,714 | $13,621 | $13,749 |

See Note 3 for further information on Separation-related transaction costs.

### Capitalization of DAC and Amortization of DAC and VOBA
See Note 5 for additional information on DAC and VOBA including impacts of capitalization and amortization. See also Note 7 for a description of the DAC amortization impact associated with the closed block.

### Expenses related to Debt
See Notes 12, 13, and 14 for attribution of interest expense by debt issuance and other expenses related to debt transactions.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
16. Other Revenues and Other Expenses (continued)

Restructuring Charges
The Company commenced in 2016 a unit cost improvement program related to the Company's refreshed enterprise strategy. This global strategy focuses on transforming the Company to become more digital, driving efficiencies and innovation to achieve competitive advantage, and simplified, decreasing the costs and risks associated with the Company's highly complex industry to customers and shareholders. Restructuring charges related to this program are included in other expenses. As the expenses relate to an enterprise-wide initiative, they are reported in Corporate & Other. Such restructuring charges were as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | Severance | | |
| | (In millions) | | |
| Balance at January 1, | $22 | $35 | $ — |
| Restructuring charges | 63 | 38 | 35 |
| Cash payments | (62) | (51) | — |
| Balance at December 31, | $23 | $22 | $ 35 |
| Total restructuring charges incurred since inception of initiative | $136 | $73 | $ 35 |

Management anticipates further restructuring charges through the year ending December 31, 2019. However, such restructuring plans were not sufficiently developed to enable management to make an estimate of such restructuring charges at December 31, 2018.
In 2016, the Company completed a previous enterprise-wide strategic initiative. These restructuring charges were included in other expenses. As the expenses related to an enterprise-wide initiative, they were reported in Corporate & Other. Information regarding such restructuring charges was as follows:

| | Year Ended December 31, 2016 | | |
|---|---|---|---|
| | Severance | Lease and Asset Impairment | Total |
| | (In millions) | | |
| Balance at January 1, | $18 | $ 4 | $22 |
| Restructuring charges | — | 1 | 1 |
| Cash payments | (17) | (4) | (21) |
| Balance at December 31, | $1 | $ 1 | $2 |
| Total restructuring charges incurred since inception of initiative | $383 | $ 47 | $430 |

17. Employee Benefit Plans
Pension and Other Postretirement Benefit Plans
Certain subsidiaries of MetLife, Inc. sponsor and/or administer a U.S. qualified and various U.S. and non-U.S. nonqualified defined benefit pension plans and other postretirement employee benefit plans covering employees who meet specified eligibility requirements. U.S. pension benefits are provided utilizing either a traditional formula or cash balance formula. The traditional formula provides benefits that are primarily based upon years of credited service and either final average or career average earnings. The cash balance formula utilizes hypothetical or notional accounts which credit participants with benefits equal to a percentage of eligible pay, as well as interest credits, determined annually based upon the annual rate of interest on 30-year U.S. Treasury securities, for each account balance. In September 2018, the U.S. qualified and nonqualified defined benefit pension plans were amended, effective January 1, 2023, to provide benefits accruals for all active participants under the cash balance formula and to cease future accruals under the traditional formula. The U.S. nonqualified pension plans provide supplemental benefits in excess of

limits applicable to a qualified plan. The non-U.S. pension plans generally provide benefits based upon either years of credited service and earnings preceding retirement or points earned on job grades and other factors in years of service.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
17. Employee Benefit Plans (continued)

These subsidiaries also provide certain postemployment benefits and certain postretirement medical and life insurance benefits for U.S. and non-U.S. retired employees. Employees of these subsidiaries who were hired prior to 2003 (or, in certain cases, rehired during or after 2003) and meet age and service criteria while working for one of the subsidiaries may become eligible for these other postretirement benefits, at various levels, in accordance with the applicable plans. Virtually all retirees, or their beneficiaries, contribute a portion of the total costs of postretirement medical benefits. Employees hired after 2003 are not eligible for any employer subsidy for postretirement medical benefits. In September 2018, the U.S. postretirement medical and life insurance benefit plans were amended, effective January 1, 2023, to discontinue the accrual of the employer subsidy credits for eligible employees.
The benefit obligations, funded status and net periodic benefit costs related to these pension and other postretirement benefits were comprised of the following:

| | December 31, 2018 | | | | | | December 31, 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pension Benefits | | | Other Postretirement Benefits | | | Pension Benefits | | | Other Postretirement Benefits | | |
| | U.S. Plans | Non-U.S. Plans | Total | U.S. Plans | Non-U.S. Plans | Total | U.S. Plans | Non-U.S. Plans | Total | U.S. Plans | Non-U.S. Plans | Total |
| | (In millions) | | | | | | | | | | | |
| Benefit obligations | $9,580 | $1,011 | $10,591 | $1,288 | $36 | $1,324 | $10,500 | $909 | $11,409 | $1,648 | $26 | $1,674 |
| Estimated fair value of plan assets | 8,615 | 333 | 8,948 | 1,334 | 26 | 1,360 | 9,371 | 317 | 9,688 | 1,426 | 8 | 1,434 |
| Over (under) funded status | $(965 ) | $(678 ) | $(1,643 ) | $46 | $(10) | $36 | $(1,129 ) | $(592) | $(1,721 ) | $(222 ) | $(18) | $(240 ) |
| Net periodic benefit costs | $176 | $83 | $259 | $(66 ) | $2 | $(64 ) | $267 | $82 | $349 | $(12 ) | $2 | $(10 ) |

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
17. Employee Benefit Plans (continued)

Obligations and Funded Status

| | December 31, 2018 | | 2017 | |
|---|---|---|---|---|
| | Pension Benefits (1) | Other Postretirement Benefits | Pension Benefits (1) | Other Postretirement Benefits |
| | (In millions) | | | |
| Change in benefit obligations: | | | | |
| Benefit obligations at January 1, | $11,409 | $ 1,674 | $10,741 | $ 1,759 |
| Service costs | 223 | 6 | 238 | 6 |
| Interest costs | 391 | 55 | 429 | 76 |
| Plan participants' contributions | — | 30 | — | 33 |
| Plan amendments | (110) | (7) | — | — |
| Net actuarial (gains) losses | (713) | (348) | 595 | (95) |
| Acquisition, divestitures, settlements and curtailments | (6) | 13 | (27) | — |
| Benefits paid | (623) | (97) | (600) | (107) |
| Effect of foreign currency translation | 20 | (2) | 33 | 2 |
| Benefit obligations at December 31, | 10,591 | 1,324 | 11,409 | 1,674 |
| Change in plan assets: | | | | |
| Estimated fair value of plan assets at January 1, | 9,688 | 1,434 | 9,009 | 1,386 |
| Actual return on plan assets | (423) | (27) | 968 | 125 |
| Acquisition, divestitures and settlements | (5) | 16 | (30) | (1) |
| Plan participants' contributions | — | 32 | — | 33 |
| Employer contributions | 306 | 4 | 329 | (2) |
| Benefits paid | (623) | (97) | (600) | (107) |
| Effect of foreign currency translation | 5 | (2) | 12 | — |
| Estimated fair value of plan assets at December 31, | 8,948 | 1,360 | 9,688 | 1,434 |
| Over (under) funded status at December 31, | $(1,643) | $ 36 | $(1,721) | $ (240) |
| Amounts recognized on the consolidated balance sheets: | | | | |
| Other assets | $135 | $ 373 | $59 | $ 160 |
| Other liabilities | (1,778) | (337) | (1,780) | (400) |
| Net amount recognized | $(1,643) | $ 36 | $(1,721) | $ (240) |
| AOCI: | | | | |
| Net actuarial (gains) losses | $2,979 | $ (269) | $2,917 | $ (55) |
| Prior service costs (credit) | (118) | (14) | (11) | (27) |
| AOCI, before income tax | $2,861 | $ (283) | $2,906 | $ (82) |
| Accumulated benefit obligation | $10,301 | N/A | $10,996 | N/A |

(1) Includes nonqualified unfunded plans, for which the aggregate PBO was $1.1 billion and $1.2 billion at December 31, 2018 and 2017, respectively.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
17. Employee Benefit Plans (continued)

Information for pension plans with PBOs in excess of plan assets and accumulated benefit obligations ("ABO") in excess of plan assets was as follows at:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | PBO Exceeds Estimated Fair Value of Plan Assets | | ABO Exceeds Estimated Fair Value of Plan Assets | |
| | (In millions) | | | |
| Projected benefit obligations | $2,021 | $2,016 | $1,999 | $1,996 |
| Accumulated benefit obligations | $1,921 | $1,904 | $1,906 | $1,890 |
| Estimated fair value of plan assets | $301 | $285 | $280 | $266 |

Net Periodic Benefit Costs

The components of net periodic benefit costs and other changes in plan assets and benefit obligations recognized in OCI were as follows:

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2016 | |
| | Pension Benefits | Other Postretirement Benefits | Pension Benefits | Other Postretirement Benefits | Pension Benefits | Other Postretirement Benefits |
| | (In millions) | | | | | |
| Net periodic benefit costs: | | | | | | |
| Service costs | $223 | $ 6 | $238 | $ 6 | $272 | $ 9 |
| Interest costs | 391 | 55 | 429 | 76 | 423 | 82 |
| Settlement and curtailment costs (1) | (1 ) | — | 4 | 2 | 2 | 19 |
| Expected return on plan assets | (533 ) | (71 ) | (516 ) | (72 ) | (527 ) | (75 ) |
| Amortization of net actuarial (gains) losses | 182 | (34 ) | 195 | — | 189 | 10 |
| Amortization of prior service costs (credit) | (3 ) | (20 ) | (1 ) | (22 ) | — | (6 ) |
| Total net periodic benefit costs (credit) | 259 | (64 ) | 349 | (10 ) | 359 | 39 |
| Other changes in plan assets and benefit obligations recognized in OCI: | | | | | | |
| Net actuarial (gains) losses | 244 | (248 ) | 149 | (146 ) | 238 | (124 ) |
| Prior service costs (credit) | (110 ) | (7 ) | (1 ) | — | (11 ) | (41 ) |
| Amortization of net actuarial (gains) losses | (182 ) | 34 | (195 ) | — | (189 ) | (10 ) |
| Amortization of prior service (costs) credit | 3 | 20 | 1 | 22 | — | 6 |
| Discontinued operations | — | — | — | — | (1 ) | 1 |
| Disposal of subsidiary | — | — | (30 ) | 2 | — | — |
| Total recognized in OCI | (45 ) | (201 ) | (76 ) | (122 ) | 37 | (168 ) |
| Total recognized in net periodic benefit costs and OCI | $214 | $ (265 ) | $273 | $ (132 ) | $396 | $ (129 ) |

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(1) The Company recognized curtailment charges in 2016 on certain postretirement benefit plans in connection with the U.S. Retail Advisor Force Divestiture. See Note 3.

329

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
17. Employee Benefit Plans (continued)

The estimated net actuarial (gains) losses and prior service costs (credit) for the defined benefit pension plans and other postretirement benefit plans that will be amortized from AOCI into net periodic benefit costs over the next year are $184 million and ($17) million, and ($34) million and ($11) million, respectively.

Assumptions

Assumptions used in determining benefit obligations for the U.S. plans were as follows:

| | Pension Benefits | Other Postretirement Benefits |
|---|---|---|
| December 31, 2018 | | |
| Weighted average discount rate | 4.35% | 4.35% |
| Rate of compensation increase | 2.25%-8.50% | N/A |
| December 31, 2017 | | |
| Weighted average discount rate | 3.65% | 3.70% |
| Rate of compensation increase | 2.25%-8.50% | N/A |

Assumptions used in determining net periodic benefit costs for the U.S. plans were as follows:

| | Pension Benefits | Other Postretirement Benefits |
|---|---|---|
| Year Ended December 31, 2018 | | |
| Weighted average discount rate | 3.65% | 3.70% |
| Weighted average expected rate of return on plan assets | 5.75% | 5.11% |
| Rate of compensation increase | 2.25%-8.50% | N/A |
| Year Ended December 31, 2017 | | |
| Weighted average discount rate | 4.30% | 4.45% |
| Weighted average expected rate of return on plan assets | 6.00% | 5.36% |
| Rate of compensation increase | 2.25%-8.50% | N/A |
| Year Ended December 31, 2016 | | |
| Weighted average discount rate | 4.13% | 4.37% |
| Weighted average expected rate of return on plan assets | 6.00% | 5.53% |
| Rate of compensation increase | 2.25%-8.50% | N/A |

The weighted average discount rate for the U.S. plans is determined annually based on the yield, measured on a yield to worst basis, of a hypothetical portfolio constructed of high quality debt instruments available on the valuation date, which would provide the necessary future cash flows to pay the aggregate PBO when due.

The weighted average expected rate of return on plan assets for the U.S. plans is based on anticipated performance of the various asset sectors in which the plans invest, weighted by target allocation percentages. Anticipated future performance is based on long-term historical returns of the plan assets by sector, adjusted for the long-term expectations on the performance of the markets. While the precise expected rate of return derived using this approach will fluctuate from year to year, the policy is to hold this long-term assumption constant as long as it remains within reasonable tolerance from the derived rate.

The weighted average expected rate of return on plan assets for use in that plan’s valuation in 2019 is currently anticipated to be 5.75% for U.S. pension benefits and 5.11% for U.S. other postretirement benefits.

The assumed healthcare costs trend rates used in measuring the APBO and net periodic benefit costs were as follows:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Before Age 65 | Age 65 and older | Before Age 65 | Age 65 and older |
| Following year | 5.4% | 2.8% | 5.6% | 6.6% |
| Ultimate rate to which cost increase is assumed to decline | 3.9% | 4.2% | 4.0% | 4.3% |
| Year in which the ultimate trend rate is reached | 2080 | 2097 | 2086 | 2098 |

Assumed healthcare costs trend rates may have a significant effect on the amounts reported for healthcare plans. A 1% change in assumed healthcare costs trend rates would have the following effects on the U.S. plans as of December 31, 2018:

| | One Percent Increase | One Percent Decrease |
|---|---|---|
| | (In millions) | |
| Effect on total of service and interest costs components | $5 | $ (4) |
| Effect of accumulated postretirement benefit obligations | $121 | $ (102) |

Plan Assets

Certain U.S. subsidiaries provide employees with benefits under various Employee Retirement Income Security Act of 1974 (“ERISA”) benefit plans. These include qualified pension plans, postretirement medical plans and certain retiree life insurance coverage. The assets of these U.S. subsidiaries’ qualified pension plans are held in an insurance group annuity contract, and the vast majority of the assets of the postretirement medical plan and backing the retiree life coverage are held in a trust which largely utilizes insurance contracts to hold the assets. All of these contracts are issued by the Company’s insurance affiliates, and the assets under the contracts are held in insurance separate accounts that have been established by the Company. The underlying assets of the separate accounts are principally comprised of cash and cash equivalents, short-term investments, fixed maturity securities AFS, equity securities, derivatives, real estate, private equity investments and hedge fund investments.

The insurance contract provider engages investment management firms (“Managers”) to serve as sub-advisors for the separate accounts based on the specific investment needs and requests identified by the plan fiduciary. These Managers have portfolio management discretion over the purchasing and selling of securities and other investment assets pursuant to the respective investment management agreements and guidelines established for each insurance separate account. The assets of the qualified pension plans and postretirement medical plans (the “Invested Plans”) are well diversified across multiple asset categories and across a number of different Managers, with the intent of minimizing risk concentrations within any given asset category or with any of the given Managers.

The Invested Plans, other than those held in participant directed investment accounts, are managed in accordance with investment policies consistent with the longer-term nature of related benefit obligations and within prudent risk parameters. Specifically, investment policies are oriented toward (i) maximizing the Invested Plan’s funded status; (ii) minimizing the volatility of the Invested Plan’s funded status; (iii) generating asset returns that exceed liability increases; and (iv) targeting rates of return in excess of a custom benchmark and industry standards over appropriate reference time periods. These goals are expected to be met through identifying appropriate and diversified asset classes and allocations, ensuring adequate liquidity to pay benefits and expenses when due and controlling the costs of administering and managing the Invested Plan’s investments. Independent investment consultants are periodically used to evaluate the investment risk of the Invested Plan’s assets relative to liabilities, analyze the economic and portfolio impact of various asset allocations and management strategies and recommend asset allocations.

Derivative contracts may be used to reduce investment risk, to manage duration and to replicate the risk/return profile of an asset or asset class. Derivatives may not be used to leverage a portfolio in any manner, such as to magnify exposure to an asset, asset class, interest rates or any other financial variable. Derivatives are also prohibited for use in creating exposures to securities, currencies, indices or any other financial variable that is otherwise restricted.

The table below summarizes the actual weighted average allocation of the estimated fair value of total plan assets by asset class at December 31 for the years indicated and the approved target allocation by major asset class at December 31, 2018 for the Invested Plans:

| | December 31, 2018 | | | | 2017 | |
|---|---|---|---|---|---|---|
| | U.S. Pension Benefits | | U.S. Other Postretirement Benefits (1) | | U.S. Pension Benefits | U.S. Other Postretirement Benefits (1) |
| | Target | Actual Allocation | Target | Actual Allocation | Actual Allocation | Actual Allocation |
| Asset Class | | | | | | |
| Fixed maturity securities AFS | 82 % | 82 % | 85 % | 82 % | 82 % | 84 % |
| Equity securities (2) | 10 % | 10 % | 15 % | 18 % | 10 % | 15 % |
| Alternative securities (3) | 8 % | 8 % | — % | — % | 8 % | 1 % |
| Total assets | | 100 % | | 100 % | 100 % | 100 % |

(1) U.S. other postretirement benefits do not reflect postretirement life’s plan assets invested in fixed maturity securities AFS.
(2) Equity securities percentage includes derivative assets.
(3) Alternative securities primarily include hedge, private equity and real estate funds.

Estimated Fair Value

The pension and other postretirement benefit plan assets are categorized into a three-level fair value hierarchy, as described in Note 10, based upon the significant input with the lowest level in its valuation. The Level 2 asset category includes certain separate accounts that are primarily invested in liquid and readily marketable securities. The estimated fair value of such separate accounts is based upon reported NAV provided by fund managers and this value represents the amount at which transfers into and out of the respective separate account are effected. These separate accounts provide reasonable levels of price transparency and can be corroborated through observable market data. Directly held investments are primarily invested in U.S. and foreign government and corporate securities. The Level 3 asset category includes separate accounts that are invested in assets that provide little or no price transparency due to the infrequency with which the underlying assets trade and generally require additional time to liquidate in an orderly manner. Accordingly, the values for separate accounts invested in these alternative asset classes are based on inputs that cannot be readily derived from or corroborated by observable market data.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
17. Employee Benefit Plans (continued)

The pension and other postretirement plan assets measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy are summarized as follows:

| | December 31, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Pension Benefits Fair Value Hierarchy | | | | Other Postretirement Benefits Fair Value Hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | | | | | |
| Assets | | | | | | | | |
| Fixed maturity securities AFS: | | | | | | | | |
| Corporate | $— | $3,350 | $ 1 | $ 3,351 | $— | $ 313 | $ — | $ 313 |
| U.S. government bonds | 1,314 | 471 | — | 1,785 | 268 | — | — | 268 |
| Foreign bonds | — | 837 | — | 837 | — | 90 | — | 90 |
| Federal agencies | — | 88 | — | 88 | — | 16 | — | 16 |
| Municipals | — | 240 | — | 240 | — | 29 | — | 29 |
| Short-term investments | 1 | 198 | — | 199 | 1 | 397 | — | 398 |
| Other (1) | 210 | 590 | 1 | 801 | 3 | 69 | — | 72 |
| Total fixed maturity securities AFS | 1,525 | 5,774 | 2 | 7,301 | 272 | 914 | — | 1,186 |
| Equity securities | 706 | 195 | — | 901 | 155 | 18 | — | 173 |
| Other investments | 20 | — | 688 | 708 | — | — | — | — |
| Derivative assets | 33 | 4 | 1 | 38 | 1 | — | — | 1 |
| Total assets | $2,284 | $5,973 | $ 691 | $ 8,948 | $428 | $ 932 | $ — | $ 1,360 |

| | December 31, 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Pension Benefits Fair Value Hierarchy | | | | Other Postretirement Benefits Fair Value Hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | | | | | |
| Assets | | | | | | | | |
| Fixed maturity securities AFS: | | | | | | | | |
| Corporate | $— | $3,833 | $ 1 | $ 3,834 | $20 | $ 362 | $ — | $ 382 |
| U.S. government bonds | 1,256 | 528 | — | 1,784 | 269 | 6 | — | 275 |
| Foreign bonds | — | 1,037 | — | 1,037 | — | 102 | — | 102 |
| Federal agencies | 35 | 134 | — | 169 | — | 17 | — | 17 |
| Municipals | — | 335 | — | 335 | — | 28 | — | 28 |
| Short-term investments | 135 | 192 | — | 327 | 8 | 390 | — | 398 |
| Other (1) | 7 | 388 | 10 | 405 | — | 68 | — | 68 |
| Total fixed maturity securities AFS | 1,433 | 6,447 | 11 | 7,891 | 297 | 973 | — | 1,270 |
| Equity securities | 797 | 177 | 3 | 977 | 154 | — | — | 154 |
| Other investments | 19 | 144 | 622 | 785 | — | 9 | — | 9 |
| Derivative assets | 33 | 2 | — | 35 | 1 | — | — | 1 |
| Total assets | $2,282 | $6,770 | $ 636 | $ 9,688 | $452 | $ 982 | $ — | $ 1,434 |

333

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
17. Employee Benefit Plans (continued)

(1) Other primarily includes money market securities, mortgage-backed securities, collateralized mortgage obligations and ABS.

A rollforward of all pension and other postretirement benefit plan assets measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs was as follows:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | |
|---|---|---|---|---|---|
| | Pension Benefits | | | | |
| | Fixed Maturity Securities AFS: | | | | |
| | Corporate | Other (1) | Equity Securities | Other Investments | Derivative Assets |
| | (In millions) | | | | |
| Balance, January 1, 2017 | $— | $ 9 | $ — | $ 637 | $ 65 |
| Realized gains (losses) | (10) | — | 2 | — | (22) |
| Unrealized gains (losses) | 10 | — | — | (12) | 6 |
| Purchases, sales, issuances and settlements, net | — | 8 | (4) | — | (48) |
| Transfers into and/or out of Level 3 | 1 | (7) | 5 | (3) | (1) |
| Balance, December 31, 2017 | $1 | $ 10 | $ 3 | $ 622 | $ — |
| Realized gains (losses) | — | — | — | — | — |
| Unrealized gains (losses) | — | — | — | 23 | — |
| Purchases, sales, issuances and settlements, net | — | (3) | — | 43 | — |
| Transfers into and/or out of Level 3 | — | (6) | (3) | — | 1 |
| Balance, December 31, 2018 | $1 | $ 1 | $ — | $ 688 | $ 1 |

(1) Other includes ABS and collateralized mortgage obligations.

For the years ended December 31, 2018 and 2017, there were no other postretirement benefit plan assets measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Expected Future Contributions and Benefit Payments

It is the subsidiaries' practice to make contributions to the U.S. qualified pension plan to comply with minimum funding requirements of ERISA. In accordance with such practice, no contributions are required for 2019. The subsidiaries expect to make discretionary contributions to the qualified pension plan of $150 million in 2019. For information on employer contributions, see "— Obligations and Funded Status."

Benefit payments due under the U.S. nonqualified pension plans are primarily funded from the subsidiaries' general assets as they become due under the provisions of the plans, and therefore benefit payments equal employer contributions. The U.S. subsidiaries expect to make contributions of $70 million to fund the benefit payments in 2019.

Postretirement benefits are either: (i) not vested under law; (ii) a non-funded obligation of the subsidiaries; or (iii) both. Current regulations do not require funding for these benefits. The subsidiaries use their general assets, net of participant's contributions, to pay postretirement medical claims as they come due. As permitted under the terms of the governing trust document, the subsidiaries may be reimbursed from plan assets for postretirement medical claims paid from their general assets. The U.S. subsidiaries expect to make contributions of $50 million towards benefit obligations in 2019 to pay postretirement medical claims.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
17. Employee Benefit Plans (continued)

Gross benefit payments for the next 10 years, which reflect expected future service where appropriate, are expected to be as follows:

| | Pension Benefits | Other Postretirement Benefits |
|---|---|---|
| | (In millions) | |
| 2019 | $620 | $ 85 |
| 2020 | $636 | $ 83 |
| 2021 | $643 | $ 81 |
| 2022 | $661 | $ 82 |
| 2023 | $682 | $ 84 |
| 2024-2028 | $3,596 | $ 413 |

Additional Information

As previously discussed, most of the assets of the U.S. pension benefit plans are held in group annuity contracts issued by the subsidiaries while some of the assets of the U.S. postretirement benefit plans are held in a trust which largely utilizes life insurance contracts issued by the subsidiaries to hold such assets. Total revenues from these contracts recognized on the consolidated statements of operations were $56 million, $56 million and $58 million for the years ended December 31, 2018, 2017 and 2016, respectively, and included policy charges and net investment income from investments backing the contracts and administrative fees. Total investment income (loss), including realized and unrealized gains (losses), credited (debited) to the account balances was ($448) million, $1.1 billion and $660 million for the years ended December 31, 2018, 2017 and 2016, respectively. The terms of these contracts are consistent in all material respects with those the subsidiaries offer to unaffiliated parties that are similarly situated.

Defined Contribution Plans

Certain subsidiaries sponsor defined contribution plans under which a portion of employee contributions are matched. These subsidiaries contributed $63 million, $72 million and $81 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)

## 18. Income Tax

The provision for income tax from continuing operations was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Current: | | | |
| U.S. federal | $(207) | $(246) | $520 |
| U.S. state and local | 11 | 5 | 3 |
| Non-U.S. | 932 | 891 | 628 |
| Subtotal | 736 | 650 | 1,151 |
| Deferred: | | | |
| U.S. federal | 342 | (2,373) | (827) |
| Non-U.S. | 101 | 253 | 369 |
| Subtotal | 443 | (2,120) | (458) |
| Provision for income tax expense (benefit) | $1,179 | $(1,470) | $693 |

The Company’s income (loss) from continuing operations before income tax expense (benefit) was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Income (loss) from continuing operations: | | | |
| U.S. | $(803) | $684 | $185 |
| Non-U.S. | 7,110 | 2,852 | 4,096 |
| Total | $6,307 | $3,536 | $4,281 |

The reconciliation of the income tax provision at the U.S. statutory rate (21% in 2018; 35% in 2017 and 2016) to the provision for income tax as reported for continuing operations was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Tax provision at U.S. statutory rate | $1,325 | $1,238 | $1,498 |
| Tax effect of: | | | |
| Dividend received deduction | (35) | (67) | (69) |
| Tax-exempt income | (29) | (97) | (86) |
| Prior year tax (1) | (197) | (27) | (13) |
| Low income housing tax credits | (284) | (278) | (270) |
| Other tax credits | (79) | (102) | (98) |
| Foreign tax rate differential (2), (3), (4) | 335 | (95) | (332) |
| Change in valuation allowance | (2) | (8) | (9) |
| Separation tax benefits | — | (540) | — |
| U.S. Tax Reform impact (5), (6) | 78 | (1,519) | — |
| Other, net (7) | 67 | 25 | 72 |
| Provision for income tax expense (benefit) | $1,179 | $(1,470) | $693 |

(1) As discussed further below, for the year ended December 31, 2018, prior year tax includes a $168 million non-cash benefit related to an uncertain tax position.

(2) For the year ended December 31, 2018, foreign tax rate differential includes tax charges of $45 million related to Global Intangible Low-Taxed Income ("GILTI"), $17 million related to a tax adjustment in Chile and $13 million from changes in the valuation of the peso in Argentina.

(3) For the year ended December 31, 2017, foreign tax rate differential includes a net tax charge of $180 million as a result of repatriation. Included in the net tax charge of $180 million is a $444 million tax charge related to the repatriation of approximately $3.0 billion of pre-2017 earnings following the post-Separation review of the Company's capital needs. This charge was partially offset by a $264 million tax benefit associated with dividends from other non-U.S. operations. This charge was recorded prior to U.S. Tax Reform and is incremental to the $170 million repatriation transition tax recorded for the year ended December 31, 2017.

(4) For the year ended December 31, 2016, foreign tax rate differential includes a tax benefit of $110 million in Japan related to a change in tax rate, offset by a tax charge of $19 million in Chile related to a change in tax rate.

(5) For the year ended December 31, 2018, U.S. Tax Reform impact includes a $468 million tax charge related to the deemed repatriation transition tax, offset by a $390 million tax benefit related to the adjustment of deferred taxes due to the U.S. tax rate change. This excludes $12 million of tax provision at the U.S. statutory rate for a total tax reform charge of $66 million.

(6) For the year ended December 31, 2017, U.S. Tax Reform impact of ($1.5) billion excludes ($101) million of tax provision at the U.S. statutory rate for a total tax reform benefit of ($1.6) billion.

(7) For the year ended December 31, 2018, other includes tax charges of $69 million related to the non-deductible loss incurred on the mark-to-market and exchange of FVO Brighthouse Common Stock and $18 million related to a non-deductible Patient Protection and Affordable Care Act excise tax, offset by a tax benefit of $36 million related to a non-cash transfer of assets from a wholly-owned U.K. subsidiary to its U.S. parent.

On December 22, 2017, President Trump signed into law U.S. Tax Reform. U.S. Tax Reform includes numerous changes in tax law, including a permanent reduction in the U.S. federal corporate income tax rate from 35% to 21%, which took effect for taxable years beginning on or after January 1, 2018. U.S. Tax Reform moves the United States from a worldwide tax system

337

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
18. Income Tax (continued)

to a participation exemption system by providing corporations a 100% dividends received deduction for dividends distributed by a controlled foreign corporation. To transition to that new system, U.S. Tax Reform imposed a one-time deemed repatriation tax on unremitted earnings and profits at a rate of 8.0% for illiquid assets and 15.5% for cash and cash equivalents.

The incremental financial statement impact related to U.S. Tax Reform was as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Income (loss) from continuing operations before provision for income tax | $(58 ) | $(289 ) |
| Provision for income tax expense (benefit): | | |
| Deemed repatriation | 468 | 170 |
| Deferred tax revaluation | (402 ) | (1,790 ) |
| Total provision for income tax expense (benefit) | 66 | (1,620 ) |
| Income (loss) from continuing operations, net of income tax | (124 ) | 1,331 |
| Income tax (expense) benefit related to items of other comprehensive income (loss) | — | 144 |
| Increase to net equity from U.S. Tax Reform | $(124) | $1,475 |

In accordance with SAB 118 issued by the SEC in December 2017, the Company recorded provisional amounts for certain items for which the income tax accounting is not complete. For these items, the Company recorded a reasonable estimate of the tax effects of U.S. Tax Reform. The estimates were reported as provisional amounts during the measurement period, which did not exceed one year from the date of enactment of U.S. Tax Reform. The Company reflected adjustments to its provisional amounts upon obtaining, preparing, or analyzing additional information about facts and circumstances that existed as of the enactment date that, if known, would have affected the income tax effects initially reported as provisional amounts.

As of December 31, 2017, the following items were considered provisional estimates due to complexities and ambiguities in U.S. Tax Reform which resulted in incomplete accounting for the tax effects of these provisions. Further guidance, either legislative or interpretive, and analysis were completed during the measurement period. As a result, the following updates were made to complete the accounting for these items as of December 31, 2018:

- Deemed Repatriation Transition Tax - The Company recorded a $170 million charge for this item for the year ended December 31, 2017. This charge was in addition to the $180 million charge recorded in the third quarter of 2017 resulting from the post-Separation review of the Company’s capital needs. The total transition tax liability recorded for the year ended December 31, 2017 was $350 million. In 2018, the IRS issued proposed regulations related to the transition tax. As a result, for the year ended December 31, 2018, the Company recorded a $468 million charge.
- GILTI - U.S. Tax Reform imposes a minimum tax on GILTI, which is generally the excess income of foreign subsidiaries over a 10% rate of routine return on tangible business assets. For the year ended December 31, 2017, the Company did not record a tax charge for this item. In 2018, the Company established an accounting policy in which it treats taxes due on GILTI as a current-period expense when incurred. Accordingly, for the year ended December 31, 2018, the Company recorded a $45 million tax charge related to this income.
- Compensation and Fringe Benefits - U.S. Tax Reform limits certain employer deductions for fringe benefit and related expenses and also repeals the exception allowing the deduction of certain performance-based compensation paid to certain senior executives. The Company recorded an $8 million tax charge, included within the deferred tax revaluation as of December 31, 2017. The Company determined that no additional adjustment was required for the year ended December 31, 2018.

Table of Contents


- Alternative Minimum Tax Credits - U.S. Tax Reform eliminates the corporate alternative minimum tax and allows for minimum tax credit carryforwards to be used to offset future regular tax or to be refunded 50% each tax year beginning in 2018, with any remaining balance fully refunded in 2021. However, pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments issued for corporations claiming refundable prior year alternative minimum tax credits are subject to a sequestration rate of 6.2%. The application of this fee to refunds in future years is subject to further guidance. Additionally, the sequestration reduction rate in effect at the time is subject to uncertainty. For the year ended December 31, 2017, the Company recorded a $9 million tax charge, included within the deferred tax revaluation. For the year ended December 31, 2018, the Company determined that no additional adjustment was required. In early 2019, the IRS issued guidance indicating that for years beginning after December 31, 2017, refund payments and credit elect and refund offset transactions due to refundable minimum tax credits will not be subject to sequestration. The Company will incorporate the impacts of this IRS announcement in 2019.
- Tax Credit Partnerships - The reduction in the federal corporate income tax rate due to U.S. Tax Reform required adjustments for multiple investment portfolios, including tax credit partnerships and tax-advantaged leverage leases. Certain tax credit partnership investments derive returns in part from income tax credits. The Company recognizes changes in tax attributes at the partnership level when reported by the investee in its financial information. The Company did not receive the necessary investee financial information to determine the impact of U.S. Tax Reform on the tax attributes of its tax credit partnership investments until the third quarter of 2018. Accordingly, prior to the third quarter of 2018, the Company applied prior law to these equity method investments in accordance with SAB 118. For the year ended December 31, 2018, after receiving additional investee information, a reduction in tax credit partnerships’ equity method income of $46 million, net of income tax, was included in net investment income. The tax-advantaged leveraged lease portfolio is valued on an after-tax yield-basis. In 2018, the Company received third party data that was used to complete a comprehensive review of its portfolio to determine the full and complete impact of U.S. Tax Reform on these investments. As a result of this review, a tax benefit of $125 million was recorded for the year ended December 31, 2018.

U.S. Tax Reform required the Company to recognize a transition tax on all previously unremitted non-U.S. earnings at December 31, 2017. However, the Company has not provided for U.S. deferred taxes on the remaining excess of book bases over tax bases of certain investments in non-U.S. subsidiaries that are essentially permanent in duration. The amount of deferred tax liability related to the Company's remaining basis difference in these non-U.S. subsidiaries is $181 million at December 31, 2018.

Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Net deferred income tax assets and liabilities consisted of the following at:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Deferred income tax assets: | | |
| Policyholder liabilities and receivables | $2,887 | $2,654 |
| Net operating loss carryforwards | 104 | 512 |
| Employee benefits | 705 | 802 |
| Capital loss carryforwards | — | 6 |
| Tax credit carryforwards | 1,113 | 1,322 |
| Litigation-related and government mandated | 161 | 160 |
| Other | 191 | 657 |
| Total gross deferred income tax assets | 5,161 | 6,113 |
| Less: Valuation allowance | 169 | 189 |
| Total net deferred income tax assets | 4,992 | 5,924 |
| Deferred income tax liabilities: | | |
| Investments, including derivatives | 2,494 | 2,772 |
| Intangibles | 1,256 | 1,321 |
| Net unrealized investment gains | 2,898 | 4,783 |
| DAC | 3,263 | 3,206 |
| Other | 495 | 609 |
| Total deferred income tax liabilities | 10,406 | 12,691 |
| Net deferred income tax asset (liability) | $(5,414) | $(6,767) |

The Company also has recorded a valuation allowance benefit of $12 million related to certain U.S. state and non-U.S. net operating loss carryforwards for the year ended December 31, 2018. In addition, an $8 million decrease was related to foreign currency exchange rate movement for the year ended December 31, 2018. The valuation allowance reflects management's assessment, based on available information, that it is more likely than not that the deferred income tax asset for certain U.S. state and non-U.S. net operating loss carryforwards will not be realized. The tax benefit will be recognized when management believes that it is more likely than not that these deferred income tax assets are realizable.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
18. Income Tax (continued)

The following table sets forth the net operating loss carryforwards for tax return purposes at December 31, 2018.

| | Net Operating Loss Carryforwards | | |
|---|---|---|---|
| | U.S. Federal | U.S. State | Non-U.S. |
| | (In millions) | | |
| Expiration: | | | |
| 2019-2023 | $1 | $— | $ 67 |
| 2024-2028 | — | — | 18 |
| 2029-2033 | 6 | — | — |
| 2034-2038 | — | 140 | — |
| Indefinite | — | — | 416 |
| | $7 | $140 | $ 501 |

The following table sets forth the general business credits, foreign tax credits, and other credit carryforwards for tax return purposes at December 31, 2018.

| | Tax Credit Carryforwards | | |
|---|---|---|---|
| | General Business Credits | Foreign Tax Credits | Other |
| | (In millions) | | |
| Expiration: | | | |
| 2019-2023 | $— | $ — | $— |
| 2024-2028 | — | 2 | — |
| 2029-2033 | 203 | — | — |
| 2034-2038 | 1,140 | — | — |
| Indefinite | — | 23 | 145 |
| | $1,343 | $ 25 | $145 |

The Company files income tax returns with the U.S. federal government and various U.S. state and local jurisdictions, as well as non-U.S. jurisdictions. The Company is under continuous examination by the IRS and other tax authorities in jurisdictions in which the Company has significant business operations. The income tax years under examination vary by jurisdiction and subsidiary. The Company is no longer subject to U.S. federal, state, or local income tax examinations for years prior to 2007, except for refund claims filed in 2017 with the IRS for 2000 through 2002 to recover tax and interest predominantly related to the disallowance of certain foreign tax credits for which the Company received a statutory notice of deficiency in 2015 and paid the tax thereon. The disallowed foreign tax credits relate to certain non-U.S. investments held by MLIC in support of its life insurance business through a United Kingdom investment subsidiary that was structured as a joint venture until early 2009.

For tax years 2003 through 2006, the Company entered into binding agreements with the IRS under which all remaining issues, including the foreign tax credit matter noted above, for these years were resolved. Accordingly, in the fourth quarter of 2018, the Company recorded a non-cash benefit to net income of $349 million, net of tax, comprised of a $168 million tax benefit recorded in provision for income tax expense (benefit) and a $229 million interest benefit ($181 million, net of tax) included in other expenses. For tax years 2000 through 2002 (which are closed to IRS examination except for the refund claim described above) and 2007 through 2009 (which are the subject of the current IRS examination), the Company has established adequate reserves for tax liabilities. The Company continues to pursue final resolution of disallowed foreign tax credits, as well as related issues, for the open tax years in a manner consistent with the final resolution of such issues for 2003 through 2006. Although the final timing and details of any such resolution remain uncertain, and could be affected by many factors, closure with the IRS for tax years 2000 through 2002, and 2007 through 2009, may occur in 2019. In material non-U.S. jurisdictions, the Company is no longer subject to income tax examinations for years prior to 2011.

The Company's overall liability for unrecognized tax benefits may increase or decrease in the next 12 months. For example, federal tax legislation and regulation could impact unrecognized tax benefits. A reasonable estimate of the increase or decrease cannot be made at this time. However, the Company continues to believe that the ultimate resolution of the pending issues will not result in a material change to its consolidated financial statements, although the resolution of income tax matters could impact the Company's effective tax rate for a particular future period.
A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Balance at January 1, | $1,102 | $1,146 | $1,259 |
| Additions for tax positions of prior years (1) | 269 | 70 | 24 |
| Reductions for tax positions of prior years (2) | (195) | (101) | (112) |
| Additions for tax positions of current year (1) | 226 | 33 | 23 |
| Reductions for tax positions of current year | (3) | (3) | — |
| Settlements with tax authorities (3) | (288) | (43) | (48) |
| Balance at December 31, | $1,111 | $1,102 | $1,146 |
| Unrecognized tax benefits that, if recognized, would impact the effective rate | $1,046 | $1,073 | $1,112 |

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(1) The increase in 2018 is primarily related to the deemed repatriation transition tax and the IRS issued proposed regulations.
(2) The decrease in 2018 is primarily related to the non-cash benefit from the tax audit settlement discussed above.
(3) The decrease in 2018 is primarily related to the tax audit settlement, of which $284 million was reclassified to the current income tax payable account.

The Company classifies interest accrued related to unrecognized tax benefits in interest expense, included within other expenses, while penalties are included in income tax expense.
Interest was as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Interest expense (benefit) recognized on the consolidated statements of operations (1) | $(441) | $37 | $(41) |

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Interest included in other liabilities on the consolidated balance sheets | $218 | $659 |

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(1) The decrease in 2018 is primarily related to the tax audit settlement, of which $168 million was recorded in other expenses and $273 million was reclassified to the current income tax payable account.

The Company had insignificant penalties for the years ended December 31, 2018, 2017 and 2016.

19. Earnings Per Common Share

The following table presents the weighted average shares, basic earnings per common share and diluted earnings per common share for each income category presented:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions, except per share data) | | |
| Weighted Average Shares: | | | |
| Weighted average common stock outstanding for basic earnings per common share | 1,005.9 | 1,069.7 | 1,100.5 |
| Incremental common shares from assumed exercise or issuance of stock-based awards | 8.0 | 8.8 | 8.0 |
| Weighted average common stock outstanding for diluted earnings per common share | 1,013.9 | 1,078.5 | 1,108.5 |
| Income (Loss) from Continuing Operations: | | | |
| Income (loss) from continuing operations, net of income tax | $5,128 | $5,006 | $3,588 |
| Less: Income (loss) from continuing operations, net of income tax, attributable to noncontrolling interests | 5 | 10 | 4 |
| Less: Preferred stock dividends | 141 | 103 | 103 |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders | $4,982 | $4,893 | $3,481 |
| Basic | $4.95 | $4.57 | $3.16 |
| Diluted | $4.91 | $4.53 | $3.13 |
| Income (Loss) from Discontinued Operations: | | | |
| Income (loss) from discontinued operations, net of income tax | $— | $(986 ) | $(2,734) |
| Less: Income (loss) from discontinued operations, net of income tax, attributable to noncontrolling interests | — | — | — |
| Income (loss) from discontinued operations, net of income tax, available to MetLife, Inc.'s common shareholders | $— | $(986 ) | $(2,734) |
| Basic | $— | $(0.92 ) | $(2.48 ) |
| Diluted | $— | $(0.91 ) | $(2.46 ) |
| Net Income (Loss): | | | |
| Net income (loss) | $5,128 | $4,020 | $854 |
| Less: Net income (loss) attributable to noncontrolling interests | 5 | 10 | 4 |
| Less: Preferred stock dividends | 141 | 103 | 103 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $4,982 | $3,907 | $747 |
| Basic | $4.95 | $3.65 | $0.68 |
| Diluted | $4.91 | $3.62 | $0.67 |

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)

20. Contingencies, Commitments and Guarantees
Contingencies
Litigation
The Company is a defendant in a large number of litigation matters. Putative or certified class action litigation and other litigation and claims and assessments against the Company, in addition to those discussed below 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, mortgage lending bank, employer, investor, investment advisor, broker-dealer, and taxpayer.
The Company also receives and responds to subpoenas or other inquiries seeking a broad range of information from state regulators, including state insurance commissioners; state attorneys general or other state governmental authorities; federal regulators, including the SEC; federal governmental authorities, including congressional committees; and the Financial Industry Regulatory Authority, as well as from local and national regulators and government authorities in jurisdictions outside the United States where the Company conducts business. The issues involved in information requests and regulatory matters vary widely, but can include inquiries or investigations concerning the Company's compliance with applicable insurance and other laws and regulations. The Company cooperates in these inquiries.
In some of the matters, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variability in pleadings, together with the actual experience of the Company in litigating or resolving through settlement numerous claims over an extended period of time, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value.
It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. The Company establishes liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities have been established for a number of the matters noted below. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be reasonably estimated at December 31, 2018. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known to management, management does not believe any such charges are likely to have a material effect on the Company's financial position. Given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.
Matters as to Which an Estimate Can Be Made
For some of the matters disclosed below, the Company is able to estimate a reasonably possible range of loss. For matters where a loss is believed to be reasonably possible, but not probable, the Company has not made an accrual. As of December 31, 2018, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be $0 to $550 million.
Matters as to Which an Estimate Cannot Be Made
For other matters disclosed below, the Company is not currently able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by the court on motions or appeals, analysis by experts, and the progress of settlement negotiations. On a quarterly and

annual basis, the Company reviews relevant information with respect to litigation contingencies and updates its accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

Asbestos-Related Claims

MLIC is and has been a defendant in a large number of asbestos-related suits filed primarily in state courts. These suits principally allege that the plaintiff or plaintiffs suffered personal injury resulting from exposure to asbestos and seek both actual and punitive damages. MLIC has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products nor has MLIC issued liability or workers' compensation insurance to companies in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. The lawsuits principally have focused on allegations with respect to certain research, publication and other activities of one or more of MLIC's employees during the period from the 1920's through approximately the 1950's and allege that MLIC learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. MLIC believes that it should not have legal liability in these cases. The outcome of most asbestos litigation matters, however, is uncertain and can be impacted by numerous variables, including differences in legal rulings in various jurisdictions, the nature of the alleged injury and factors unrelated to the ultimate legal merit of the claims asserted against MLIC. MLIC employs a number of resolution strategies to manage its asbestos loss exposure, including seeking resolution of pending litigation by judicial rulings and settling individual or groups of claims or lawsuits under appropriate circumstances.

Claims asserted against MLIC have included negligence, intentional tort and conspiracy concerning the health risks associated with asbestos. MLIC's defenses (beyond denial of certain factual allegations) include that: (i) MLIC owed no duty to the plaintiffs — it had no special relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured plaintiffs; (ii) plaintiffs did not rely on any actions of MLIC; (iii) MLIC's conduct was not the cause of the plaintiffs' injuries; (iv) plaintiffs' exposure occurred after the dangers of asbestos were known; and (v) the applicable time with respect to filing suit has expired. During the course of the litigation, certain trial courts have granted motions dismissing claims against MLIC, while other trial courts have denied MLIC's motions. There can be no assurance that MLIC will receive favorable decisions on motions in the future. While most cases brought to date have settled, MLIC intends to continue to defend aggressively against claims based on asbestos exposure, including defending claims at trials.

The approximate total number of asbestos personal injury claims pending against MLIC as of the dates indicated, the approximate number of new claims during the years ended on those dates and the approximate total settlement payments made to resolve asbestos personal injury claims at or during those years are set forth in the following table:

| | December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions, except number of claims) | | |
| Asbestos personal injury claims at year end | 62,522 | 62,930 | 67,223 |
| Number of new claims during the year | 3,359 | 3,514 | 4,146 |
| Settlement payments during the year (1) | $ 51.4 | $ 48.6 | $ 50.2 |

(1) Settlement payments represent payments made by MLIC during the year in connection with settlements made in that year and in prior years. Amounts do not include MLIC's attorneys' fees and expenses.

The number of asbestos cases that may be brought, the aggregate amount of any liability that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from year to year.

The ability of MLIC to estimate its ultimate asbestos exposure is subject to considerable uncertainty, and the conditions impacting its liability can be dynamic and subject to change. The availability of reliable data is limited and it is difficult to predict the numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease in pending and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the jurisdictions in which claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against MLIC when exposure to asbestos took place after the dangers of asbestos exposure were well known, and the impact of any possible future adverse verdicts and their amounts.

The ability to make estimates regarding ultimate asbestos exposure declines significantly as the estimates relate to years further in the future. In the Company's judgment, there is a future point after which losses cease to be probable and reasonably estimable. It is reasonably possible that the Company's total exposure to asbestos claims may be materially greater than the asbestos liability currently accrued and that future charges to income may be necessary. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known by management, management does not believe any such charges are likely to have a material effect on the Company's financial position.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. MLIC's recorded asbestos liability is based on its estimation of the following elements, as informed by the facts presently known to it, its understanding of current law and its past experiences: (i) the probable and reasonably estimable liability for asbestos claims already asserted against MLIC, including claims settled but not yet paid; (ii) the probable and reasonably estimable liability for asbestos claims not yet asserted against MLIC, but which MLIC believes are reasonably probable of assertion; and (iii) the legal defense costs associated with the foregoing claims. Significant assumptions underlying MLIC's analysis of the adequacy of its recorded liability with respect to asbestos litigation include: (i) the number of future claims; (ii) the cost to resolve claims; and (iii) the cost to defend claims.

MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experience, reviewing external literature regarding asbestos claims experience in the United States, assessing relevant trends impacting asbestos liability and considering numerous variables that can affect its asbestos liability exposure on an overall or per claim basis. These variables include bankruptcies of other companies involved in asbestos litigation, legislative and judicial developments, the number of pending claims involving serious disease, the number of new claims filed against it and other defendants and the jurisdictions in which claims are pending. Based upon its regular reevaluation of its exposure from asbestos litigation, MLIC has updated its recorded liability for asbestos-related claims to $502 million at December 31, 2018.

In the Matter of Chemform, Inc. Site, Pompano Beach, Broward County, Florida

In July 2010, the Environmental Protection Agency ("EPA") advised MLIC that it believed payments were due under two settlement agreements, known as "Administrative Orders on Consent," that New England Mutual Life Insurance Company ("New England Mutual") signed in 1989 and 1992 with respect to the cleanup of a Superfund site in Florida (the "Chemform Site"). The EPA originally contacted MLIC (as successor to New England Mutual) and a third party in 2001, and advised that they owed additional clean-up costs for the Chemform Site. The matter was not resolved at that time. In September 2012, the EPA, MLIC and the third party executed an Administrative Order on Consent under which MLIC and the third party agreed to be responsible for certain environmental testing at the Chemform Site. The EPA may seek additional costs if the environmental testing identifies issues. The EPA and MLIC have reached a settlement in principle on the EPA's claim for past costs. The Company estimates that the aggregate cost to resolve this matter, including the settlement for claims of past costs and the costs of environmental testing, will not exceed $300 thousand.

Sun Life Assurance Company of Canada Indemnity Claim

In 2006, Sun Life Assurance Company of Canada ("Sun Life"), as successor to the purchaser of MLIC's Canadian operations, filed a lawsuit in Toronto, seeking a declaration that MLIC remains liable for "market conduct claims" related to certain individual life insurance policies sold by MLIC that were subsequently transferred to Sun Life. In January 2010, the court found that Sun Life had given timely notice of its claim for indemnification but, because it found that Sun Life had not yet incurred an indemnifiable loss, granted MLIC's motion for summary judgment. In September 2010, Sun Life notified MLIC that a purported class action lawsuit was filed against Sun Life in Toronto alleging sales practices claims regarding the policies sold by MLIC and transferred to Sun Life (the "Ontario Litigation"). On August 30, 2011, Sun Life notified MLIC that another purported class action lawsuit was filed against Sun Life in Vancouver, BC alleging sales practices claims regarding certain of the same policies sold by MLIC and transferred to Sun Life. Sun Life contends that MLIC is obligated to indemnify Sun Life for some or all of the claims in these lawsuits. In September 2018, the Court of Appeal for Ontario affirmed the lower court’s decision to not certify the sales practices claims in the Ontario Litigation. These sales practices cases against Sun Life are ongoing, and the Company is unable to estimate the reasonably possible loss or range of loss arising from this litigation.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
20. Contingencies, Commitments and Guarantees (continued)

City of Westland Police and Fire Retirement System v. MetLife, Inc., et. al. (S.D.N.Y., filed January 12, 2012)
Plaintiff filed this class action on behalf of a class of persons who either purchased MetLife, Inc. common shares between February 9, 2011, and October 6, 2011, or purchased or acquired MetLife, Inc. common stock in the Company's August 3, 2010 offering or the Company's March 4, 2011 offering. Plaintiff alleges that MetLife, Inc. and several current and former directors and executive officers of MetLife, Inc. violated the Securities Act of 1933, as well as the Exchange Act and Rule 10b-5 promulgated thereunder by issuing, or causing MetLife, Inc. to issue, materially false and misleading statements concerning MetLife, Inc.'s potential liability for millions of dollars in insurance benefits that should have purportedly been paid to beneficiaries or escheated to the states. Plaintiff seeks unspecified compensatory damages and other relief. The defendants intend to defend this action vigorously.
Owens v. Metropolitan Life Insurance Company (N.D. Ga., filed April 17, 2014)
Plaintiff filed this class action lawsuit on behalf of persons for whom MLIC established a Total Control Account ("TCA") to pay death benefits under an ERISA plan. The action alleges that MLIC's use of the TCA as the settlement option for life insurance benefits under some group life insurance policies violates MLIC's fiduciary duties under ERISA. As damages, plaintiff seeks disgorgement of profits that MLIC realized on accounts owned by members of the class. In addition, plaintiff, on behalf of a subgroup of the class, seeks interest under Georgia's delayed settlement interest statute, alleging that the use of the TCA as the settlement option did not constitute payment. On September 27, 2016, the court denied MLIC's summary judgment motion in full and granted plaintiff's partial summary judgment motion. On September 29, 2017, the court certified a nationwide class. The court also certified a Georgia subclass. The Company intends to defend this action vigorously.
Voshall v. Metropolitan Life Insurance Company (Superior Court of the State of California, County of Los Angeles, April 8, 2015)
Plaintiff filed this putative class action lawsuit on behalf of himself and all persons covered under a long-term group disability income insurance policy issued by MLIC to public entities in California between April 8, 2011 and April 8, 2015. Plaintiff alleges that MLIC improperly reduced benefits by including cost of living adjustments and employee paid contributions in the employer retirement benefits and other income that reduces the benefit payable under such policies. Plaintiff asserts causes of action for declaratory relief, violation of the California Business & Professions Code, breach of contract and breach of the implied covenant of good faith and fair dealing. The parties reached a settlement, which the court approved on January 3, 2019.
Martin v. Metropolitan Life Insurance Company, (Superior Court of the State of California, County of Contra Costa, filed December 17, 2015)
Plaintiffs filed this putative class action lawsuit on behalf of themselves and all California persons who have been charged compound interest by MLIC in life insurance policy and/or premium loan balances within the last four years. Plaintiffs allege that MLIC has engaged in a pattern and practice of charging compound interest on life insurance policy and premium loans without the borrower authorizing such compounding, and that this constitutes an unlawful business practice under California law. Plaintiffs assert causes of action for declaratory relief, violation of California's Unfair Competition Law and Usury Law, and unjust enrichment. Plaintiffs seek declaratory and injunctive relief, restitution of interest, and damages in an unspecified amount. On April 12, 2016, the court granted MLIC's motion to dismiss. Plaintiffs appealed this ruling to the United States Court of Appeals for the Ninth Circuit. The Company intends to defend this action vigorously.
Newman v. Metropolitan Life Insurance Company (N.D. Ill., filed March 23, 2016)
Plaintiff filed this putative class action alleging causes of action for breach of contract, fraud, and violations of the Illinois Consumer Fraud and Deceptive Business Practices Act, on behalf of herself and all persons over age 65 who selected a Reduced Pay at Age 65 payment feature on their long-term care insurance policies and whose premium rates were increased after age 65. Plaintiff seeks unspecified compensatory, statutory and punitive damages, as well as recessionary and injunctive relief. On April 12, 2017, the court granted MLIC's motion to dismiss the action. Plaintiff appealed this ruling and the United States Court of Appeals for the Seventh Circuit reversed and remanded the case to

the district court for further proceedings. The Company intends to defend this action vigorously.

347

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
20. Contingencies, Commitments and Guarantees (continued)

Julian & McKinney v. Metropolitan Life Insurance Company (S.D.N.Y., filed February 9, 2017)
Plaintiffs filed this putative class and collective action on behalf of themselves and all current and former long-term disability ("LTD") claims specialists between February 2011 and the present for alleged wage and hour violations under the Fair Labor Standards Act, the New York Labor Law, and the Connecticut Minimum Wage Act. The suit alleges that MetLife improperly reclassified the plaintiffs and similarly situated LTD claims specialists from non-exempt to exempt from overtime pay in November 2013. As a result, they and members of the putative class were no longer eligible for overtime pay even though they allege they continued to work more than 40 hours per week. Plaintiffs seek unspecified compensatory and punitive damages, as well as other relief. On March 22, 2018, the Court conditionally certified the case as a collective action, requiring that notice be mailed to LTD claims specialists who worked for the Company from February 8, 2014 to the present. The Company intends to defend this action vigorously.
Total Asset Recovery Services, LLC. v. MetLife, Inc., et al. (Supreme Court of the State of New York, County of New York, filed December 27, 2017)
Total Asset Recovery Services ("The Relator") brought an action under the qui tam provision of the New York False Claims Act (the "Act") on behalf of itself and the State of New York. The Relator originally filed this action under seal in 2010, and the complaint was unsealed on December 19, 2017. The Relator alleges that MetLife, Inc., MLIC, and several other insurance companies violated the Act by filing false unclaimed property reports with the State of New York from 1986 to 2017, to avoid having to escheat the proceeds of more than 25,000 life insurance policies, including policies for which the defendants escheated funds as part of their demutualizations in the late 1990s. The Relator seeks treble damages and other relief. The Company intends to defend this action vigorously.
Regulatory and Litigation Matters Related to Group Annuity Benefits
In 2018, the Company announced that it identified a material weakness in its internal control over financial reporting related to the practices and procedures for estimating reserves for certain group annuity benefits. The Company is exposed to lawsuits and regulatory investigations, and could be exposed to additional legal actions relating to these issues. These may result in payments, including damages, fines, penalties, interest and other amounts assessed or awarded by courts or regulatory authorities under applicable escheat, tax, securities, ERISA, or other laws or regulations. The Company could incur significant costs in connection with these actions.
Regulatory Matters
The New York Department of Financial Services examined these issues and other unrelated issues as part of its quinquennial exam and entered into a consent order with MLIC on January 28, 2019. The Division of Enforcement of the SEC is also investigating this issue and several additional regulators have made similar inquiries. It is possible that other jurisdictions may pursue similar investigations or inquiries.
In the Matter of MetLife, Inc. (Mass. Sec. Div., filed June 25, 2018)
The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the "MSD") filed an administrative complaint in order to commence an adjudicatory proceeding against the Company for alleged violations of Section 101 of the Massachusetts Uniform Securities Act and regulations promulgated thereunder, alleging that the Company made materially misleading statements regarding the sufficiency of its reserves related to group annuity contracts and the effectiveness of its internal control over financial reporting. The Company settled this matter with the MSD on December 18, 2018.
Litigation Matters
Parchmann v. MetLife, Inc., et. al. (E.D.N.Y., filed February 5, 2018)
Plaintiff filed this putative class action seeking to represent a class of persons who purchased MetLife, Inc. common stock from February 27, 2013 through January 29, 2018. Plaintiff alleges that MetLife, Inc., its Chief Executive Officer and Chairman of the Board, and its Chief Financial Officer violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by issuing materially false and/or misleading financial statements. Plaintiff alleges that MetLife's practices and procedures for estimating reserves for certain group annuity benefits were inadequate, and that MetLife had inadequate internal control over financial reporting. Plaintiff seeks unspecified

compensatory damages and other relief. Defendants intend to defend this action vigorously.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
20. Contingencies, Commitments and Guarantees (continued)

Roycroft v. MetLife, Inc., et al. (S.D.N.Y., filed June 18, 2018)
Plaintiff filed this putative class action on behalf of all persons due benefits under group annuity contracts but who did not receive the entire amount to which they were entitled. Plaintiff asserts claims for unjust enrichment, accounting, and restitution based on allegations that the Company failed to timely pay annuity benefits to certain group annuitants. Plaintiff seeks declaratory and injunctive relief, as well as unspecified compensatory and punitive damages, and other relief. The court dismissed this matter as to all defendants on January 15, 2019.

Derivative Action and Demands

Kates v. Kandarian, et al. (E.D.N.Y., filed January 18, 2019)
A shareholder seeking to sue derivatively on behalf of MetLife, Inc. commenced an action in federal court against members of the MetLife, Inc. Board of Directors. Plaintiff asserts claims for breach of fiduciary duty, gross mismanagement, waste of corporate assets, as well as securities fraud claims. Plaintiff alleges that the defendants disseminated or approved public statements that failed to disclose that MetLife's practices and procedures for estimating reserves for certain group annuity benefits were inadequate, and that MetLife had inadequate internal control over financial reporting. Plaintiffs allege that because of the defendants' breaches of duty, MetLife, Inc. has incurred damage to its reputation and has suffered other unspecified damages. The defendants intend to defend this action vigorously.

Demands

The MetLife, Inc. Board of Directors received five letters, dated March 28, 2018, May 11, 2018, July 16, 2018, December 20, 2018 and February 5, 2019, written on behalf of individual stockholders, demanding that MetLife, Inc. take action against current and former directors and officers for alleged breaches of fiduciary duty and/or investigate, remediate, and recover damages allegedly suffered by the Company as a result of (i) the Company's allegedly inadequate practices and procedures for estimating reserves for certain group annuity benefits, (ii) the Company's allegedly inadequate internal controls over financial reporting and corporate governance practices and procedures, and (iii) the alleged dissemination of false or misleading information related to these issues. The MetLife, Inc. Board of Directors appointed a special committee to investigate the allegations set forth in these five letters.

Regulatory Inquiry Related to Assumed Variable Annuity Guarantee Reserves

In 2018, the Company announced that it identified a material weakness in its internal control over financial reporting related to the calculation of reserves associated with certain variable annuity guarantees assumed from the former operating joint venture in Japan. The Division of Enforcement of the SEC is investigating this issue and the Company has informed other regulators. It is possible that other regulators may pursue similar investigations or inquiries. The Company is exposed to lawsuits and regulatory investigations, and could be exposed to additional legal actions relating to these issues. These may result in payments, including damages, fines, penalties, interest and other amounts assessed or awarded by courts or regulatory authorities under applicable laws or regulations. The Company could incur significant costs in connection with these actions.

Insolvency Assessments

Many jurisdictions in which the Company is admitted to transact business require insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers or those that may become impaired, insolvent or fail. These associations levy assessments, up to prescribed limits, on all member insurers in a particular jurisdiction on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer engaged. In addition, certain jurisdictions have government owned or controlled organizations providing life, health and property and casualty insurance to their citizens, whose activities could place additional stress on the adequacy of guaranty fund assessments. Many of these organizations have the power to levy assessments similar to those of the guaranty associations. Some jurisdictions permit member insurers to recover assessments paid through full or partial premium tax offsets.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
20. Contingencies, Commitments and Guarantees (continued)

Assets and liabilities held for insolvency assessments were as follows:

| | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In millions) | |
| Other Assets: | | |
| Premium tax offset for future discounted and undiscounted assessments | $ 47 | $ 56 |
| Premium tax offset currently available for paid assessments | 46 | 50 |
| Total | $ 93 | $ 106 |
| Other Liabilities: | | |
| Insolvency assessments | $ 67 | $ 75 |

Commitments

Leases

The Company, as lessee, has entered into various lease and sublease agreements for office space and equipment. Future minimum gross rental payments relating to these lease arrangements are as follows:

| | Amount (In millions) |
|---|---|
| 2019 | $ 292 |
| 2020 | 282 |
| 2021 | 260 |
| 2022 | 224 |
| 2023 | 209 |
| Thereafter | 859 |
| Total | $ 2,126 |

Operating lease expense was $342 million, $374 million and $383 million for the years ended December 31, 2018, 2017 and 2016, respectively. Total minimum rental payments to be received in the future under non-cancelable subleases were $645 million as of December 31, 2018. Non-cancelable sublease income was $72 million, $46 million and $21 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $4.0 billion and $3.4 billion at December 31, 2018 and 2017, respectively.

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

The Company commits to fund partnership investments and to lend funds under bank credit facilities, bridge loans and private corporate bond investments. The amounts of these unfunded commitments were $7.7 billion and $6.1 billion at December 31, 2018 and 2017, respectively.

Table of Contents


Guarantees

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties such that it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third-party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than $1 million to $329 million, with a cumulative maximum of $778 million, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future. Management believes that it is unlikely the Company will have to make any material payments under these indemnities, guarantees, or commitments.

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

The Company also has minimum fund yield requirements on certain pension funds. Since these guarantees are not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future.

The Company’s recorded liabilities were $7 million and $5 million at December 31, 2018 and 2017, respectively, for indemnities, guarantees and commitments.

Table of Contents
MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)

21. Quarterly Results of Operations (Unaudited)
The unaudited quarterly results of operations for 2018 and 2017 are summarized in the table below:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, | June 30, | September 30, | December 31, |
| | (In millions, except per share data) | | | |
| 2018 | | | | |
| Total revenues | $14,805 | $21,185 | $16,289 | $15,662 |
| Total expenses | $13,149 | $20,084 | $15,210 | $13,191 |
| Income (loss) from continuing operations, net of income tax | $1,257 | $894 | $915 | $2,062 |
| Income (loss) from discontinued operations, net of income tax | $— | $— | $— | $— |
| Net income (loss) | $1,257 | $894 | $915 | $2,062 |
| Less: Net income (loss) attributable to noncontrolling interests | $4 | $3 | $3 | $(5) |
| Net income (loss) attributable to MetLife, Inc. | $1,253 | $891 | $912 | $2,067 |
| Less: Preferred stock dividends | $6 | $46 | $32 | $57 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $1,247 | $845 | $880 | $2,010 |
| Basic earnings per common share | | | | |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders | $1.20 | $0.83 | $0.89 | $2.05 |
| Income (loss) from discontinued operations, net of income tax, attributable to MetLife, Inc. | $— | $— | $— | $— |
| Net income (loss) attributable to MetLife, Inc. | $1.21 | $0.88 | $0.92 | $2.11 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $1.20 | $0.83 | $0.89 | $2.05 |
| Diluted earnings per common share | | | | |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders | $1.19 | $0.83 | $0.88 | $2.04 |
| Income (loss) from discontinued operations, net of income tax, attributable to MetLife, Inc. | $— | $— | $— | $— |
| Net income (loss) attributable to MetLife, Inc. | $1.20 | $0.87 | $0.91 | $2.09 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $1.19 | $0.83 | $0.88 | $2.04 |
| 2017 | | | | |
| Total revenues | $14,964 | $15,333 | $16,171 | $15,840 |
| Total expenses | $13,892 | $14,315 | $15,686 | $14,879 |
| Income (loss) from continuing operations, net of income tax | $952 | $856 | $883 | $2,315 |
| Income (loss) from discontinued operations, net of income tax | $(76) | $58 | $(968) | $— |
| Net income (loss) | $876 | $914 | $(85) | $2,315 |
| Less: Net income (loss) attributable to noncontrolling interests | $3 | $3 | $6 | $(2) |
| Net income (loss) attributable to MetLife, Inc. | $873 | $911 | $(91) | $2,317 |
| Less: Preferred stock dividends | $6 | $46 | $6 | $45 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $867 | $865 | $(97) | $2,272 |
| Basic earnings per common share | | | | |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders | $0.87 | $0.76 | $0.82 | $2.16 |
| Income (loss) from discontinued operations, net of income tax, attributable to MetLife, Inc. | $(0.07) | $0.05 | $(0.91) | $— |
| Net income (loss) attributable to MetLife, Inc. | $0.80 | $0.86 | $(0.09) | $2.20 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $0.80 | $0.81 | $(0.09) | $2.16 |

| | | | | |
|---|---|---|---|---|
| Diluted earnings per common share | | | | |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders | $0.86 | $0.75 | $0.81 | $2.14 |
| Income (loss) from discontinued operations, net of income tax, attributable to MetLife, Inc. | $(0.07) | $0.05 | $(0.90) | $— |
| Net income (loss) attributable to MetLife, Inc. | $0.79 | $0.85 | $(0.08) | $2.18 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $0.79 | $0.80 | $(0.09) | $2.14 |

352

22. Subsequent Events

Preferred Stock Dividends

On February 15, 2019, MetLife, Inc. announced a first quarter 2019 dividend of $0.25 per share, for a total of $6 million, on its Series A preferred stock, subject to the final confirmation that it has met the financial tests specified in the certificate of designation for the Series A preferred stock, which the Company anticipates will be made and announced on or about March 5, 2019. The dividend will be payable on March 15, 2019 to shareholders of record as of February 28, 2019.

On February 15, 2019, MetLife, Inc. announced a first quarter 2019 dividend of $29.375 per share, for a total of $15 million, on its Series D preferred stock, and $351.563 per share, for a total of $11 million, on its Series E preferred stock. Both dividends will be payable on March 15, 2019 to shareholders of record as of February 28, 2019.

Common Stock Repurchases

In 2019, through February 14, 2019, MetLife, Inc. repurchased 1,947,100 shares of its common stock in the open market for $85 million.

Common Stock Dividend

On January 7, 2019, the MetLife, Inc. Board of Directors declared a first quarter 2019 common stock dividend of $0.42 per share payable on March 13, 2019 to shareholders of record as of February 5, 2019. The Company estimates that the aggregate dividend payment will be $404 million.

Table of Contents

MetLife, Inc.
Schedule I
Consolidated Summary of Investments —
Other Than Investments in Related Parties
December 31, 2018
(In millions)

| Types of Investments | Cost or Amortized Cost (1) | Estimated Fair Value | Amount at Which Shown on Balance Sheet |
|---|---|---|---|
| Fixed maturity securities AFS: | | | |
| Bonds: | | | |
| Foreign government | $ 56,353 | $ 62,288 | $ 62,288 |
| U.S. government and agency | 37,030 | 39,322 | 39,322 |
| Public utilities | 12,430 | 13,075 | 13,075 |
| Municipals | 10,376 | 11,533 | 11,533 |
| All other corporate bonds | 120,505 | 121,423 | 121,423 |
| Total bonds | 236,694 | 247,641 | 247,641 |
| Mortgage-backed and asset-backed securities | 49,006 | 49,471 | 49,471 |
| Redeemable preferred stock | 1,116 | 1,153 | 1,153 |
| Total fixed maturity securities AFS | 286,816 | 298,265 | 298,265 |
| Unit-linked and FVO Securities | 11,809 | 12,616 | 12,616 |
| Equity securities: | | | |
| Common stock: | | | |
| Industrial, miscellaneous and all other | 667 | 827 | 827 |
| Banks, trust and insurance companies | 67 | 119 | 119 |
| Public utilities | 102 | 91 | 91 |
| Non-redeemable preferred stock | 422 | 403 | 403 |
| Total equity securities | 1,258 | 1,440 | 1,440 |
| Mortgage loans | 75,752 | | 75,752 |
| Policy loans | 9,699 | | 9,699 |
| Real estate and real estate joint ventures | 9,653 | | 9,653 |
| Real estate acquired in satisfaction of debt | 45 | | 45 |
| Other limited partnership interests | 6,613 | | 6,613 |
| Short-term investments | 3,937 | | 3,937 |
| Other invested assets | 18,190 | | 18,190 |
| Total investments | $ 423,772 | | $ 436,210 |

(1) The Unit-linked and FVO Securities are primarily equity securities (including mutual funds) and fixed maturity securities AFS. Amortized cost for fixed maturity securities AFS and mortgage loans represents original cost reduced by repayments, valuation allowances and impairments from other-than-temporary declines in estimated fair value that are charged to earnings and adjusted for amortization of premium or accretion of discount; for equity securities, cost represents original cost; for real estate, cost represents original cost reduced by impairments and depreciation; for real estate joint ventures and other limited partnership interests, cost represents original cost reduced for impairments or original cost adjusted for equity in earnings and distributions.

Table of Contents

MetLife, Inc.
Schedule II
Condensed Financial Information
(Parent Company Only)
December 31, 2018 and 2017
(In millions, except share and per share data)

| | 2018 | 2017 |
|---|---|---|
| Condensed Balance Sheets | | |
| Assets | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $2,745 and $4,520, respectively) | $2,726 | $4,510 |
| Fair value option securities, at estimated fair value | — | 1,357 |
| Short-term investments, principally at estimated fair value | 16 | 30 |
| Other invested assets, at estimated fair value | 87 | 127 |
| Total investments | 2,829 | 6,024 |
| Cash and cash equivalents | 376 | 516 |
| Accrued investment income | 53 | 24 |
| Investment in subsidiaries | 66,567 | 73,274 |
| Loans to subsidiaries | 100 | 100 |
| Other assets | 843 | 1,153 |
| Total assets | $70,768 | $81,091 |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Payables for collateral under derivatives transactions | $9 | $36 |
| Long-term debt — unaffiliated | 11,844 | 14,599 |
| Long-term debt — affiliated | 1,957 | 2,000 |
| Junior subordinated debt securities | 2,456 | 2,454 |
| Other liabilities | 1,761 | 3,326 |
| Total liabilities | 18,027 | 22,415 |
| Stockholders' Equity | | |
| Preferred stock, par value $0.01 per share; $3,405 and $2,100 aggregate liquidation preference, respectively | — | — |
| Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,171,824,242 and 1,168,710,101 shares issued, respectively; 958,613,542 and 1,043,588,396 shares outstanding, respectively | 12 | 12 |
| Additional paid-in capital | 32,474 | 31,111 |
| Retained earnings | 28,926 | 26,527 |
| Treasury stock, at cost; 213,210,700 and 125,121,705 shares, respectively | (10,393 ) | (6,401 ) |
| Accumulated other comprehensive income (loss) | 1,722 | 7,427 |
| Total stockholders' equity | 52,741 | 58,676 |
| Total liabilities and stockholders' equity | $70,768 | $81,091 |

See accompanying notes to the condensed financial information.

Table of Contents

MetLife, Inc.
Schedule II
Condensed Financial Information — (continued)
(Parent Company Only)
For the Years Ended December 31, 2018, 2017 and 2016
(In millions)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Condensed Statements of Operations | | | |
| Revenues | | | |
| Equity in earnings of subsidiaries | $6,466 | $7,162 | $1,833 |
| Net investment income | 87 | 101 | 129 |
| Other revenues | 19 | 59 | 151 |
| Net investment gains (losses) | (277) | (1,142) | 86 |
| Net derivative gains (losses) | (56) | (186) | (68) |
| Total revenues | 6,239 | 5,994 | 2,131 |
| Expenses | | | |
| Interest expense | 1,009 | 1,108 | 1,152 |
| Goodwill impairment | — | — | 147 |
| Termination of financing arrangements | — | 294 | 2 |
| Other expenses | 158 | 657 | 388 |
| Total expenses | 1,167 | 2,059 | 1,689 |
| Income (loss) before provision for income tax | 5,072 | 3,935 | 442 |
| Provision for income tax expense (benefit) | (51) | (75) | (408) |
| Net income (loss) | 5,123 | 4,010 | 850 |
| Less: Preferred stock dividends | 141 | 103 | 103 |
| Net income (loss) available to common shareholders | $4,982 | $3,907 | $747 |
| Comprehensive income (loss) | $(1,494) | $7,391 | $1,449 |

See accompanying notes to the condensed financial information.

Table of Contents

MetLife, Inc.
Schedule II
Condensed Financial Information — (continued)
(Parent Company Only)
For the Years Ended December 31, 2018, 2017 and 2016
(In millions)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Condensed Statements of Cash Flows | | | |
| Cash flows from operating activities | | | |
| Net income (loss) | $5,123 | $4,010 | $850 |
| Earnings of subsidiaries | (6,466 ) | (7,162 ) | (1,833) |
| Dividends from subsidiaries | 7,367 | 6,745 | 4,470 |
| (Gains) losses on investments and from sales of businesses, net | 277 | 1,142 | (86 ) |
| Goodwill impairment | — | — | 147 |
| Tax separation agreement charge | — | 1,093 | — |
| Other, net | (807 ) | 634 | 199 |
| Net cash provided by (used in) operating activities | 5,494 | 6,462 | 3,747 |
| Cash flows from investing activities | | | |
| Sales of fixed maturity securities available-for-sale | 9,635 | 7,217 | 8,603 |
| Purchases of fixed maturity securities available-for-sale | (8,178 ) | (7,733 ) | (7,409) |
| Cash received in connection with freestanding derivatives | 227 | 452 | 311 |
| Cash paid in connection with freestanding derivatives | (237 ) | (629 ) | (561 ) |
| Sales of businesses | — | — | 291 |
| Expense paid on behalf of subsidiaries | (14 ) | (42 ) | (68 ) |
| Receipts on loans to subsidiaries | — | — | 140 |
| Issuances of loans to subsidiaries | — | — | (140 ) |
| Returns of capital from subsidiaries | 87 | 610 | 80 |
| Capital contributions to subsidiaries | (767 ) | (339 ) | (1,733) |
| Net change in short-term investments | 14 | 118 | 120 |
| Other, net | (3 ) | (14 ) | (18 ) |
| Net cash provided by (used in) investing activities | 764 | (360 ) | (384 ) |
| Cash flows from financing activities | | | |
| Net change in payables for collateral under derivative transactions | (27 ) | (111 ) | (80 ) |
| Long-term debt repaid | (1,759 ) | (1,000 ) | (1,250) |
| Fees paid for the termination of a committed facility related to Separation | — | (244 ) | (2 ) |
| Treasury stock acquired in connection with share repurchases | (3,992 ) | (2,927 ) | (372 ) |
| Preferred stock issued, net of issuance costs | 1,274 | — | — |
| Dividends on preferred stock | (141 ) | (103 ) | (103 ) |
| Dividends on common stock | (1,678 ) | (1,717 ) | (1,736) |
| Other, net | (75 ) | 182 | 93 |
| Net cash provided by (used in) financing activities | (6,398 ) | (5,920 ) | (3,450) |
| Change in cash and cash equivalents | (140 ) | 182 | (87 ) |
| Cash and cash equivalents, beginning of year | 516 | 334 | 421 |
| Cash and cash equivalents, end of year | $376 | $516 | $334 |

357

Table of Contents

MetLife, Inc.
Schedule II
Condensed Financial Information — (continued)
(Parent Company Only)
For the Years Ended December 31, 2018, 2017 and 2016
(In millions)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Supplemental disclosures of cash flow information | | | |
| Net cash paid (received) for: | | | |
| Interest | $1,040 | $1,096 | $1,146 |
| Income tax: | | | |
| Amounts paid to (received from) subsidiaries, net | $(33 ) | $(1,552 ) | $(569 ) |
| Amounts paid to Brighthouse in accordance with the tax separation agreement | 909 | 729 | — |
| Income tax paid (received) by MetLife, Inc., net | 1 | (37 ) | 136 |
| Total income tax, net | $877 | $(860 ) | $(433 ) |
| Non-cash transactions: | | | |
| Dividends from subsidiary | $— | $— | $2,652 |
| Returns of capital from subsidiaries | $3,844 | $17,518 | $372 |
| Capital contributions to subsidiaries | $3,844 | $15,655 | $157 |
| Distribution of Brighthouse | $— | $10,346 | $— |
| Allocation of interest expense to subsidiary | $— | $15 | $39 |
| Allocation of interest income to subsidiary | $— | $4 | $54 |
| Brighthouse common stock exchange transaction (Note 3): | | | |
| Reduction of long-term debt | $944 | $— | $— |
| Reduction of fair value option securities | $1,030 | $— | $— |

Table of Contents

MetLife, Inc.
Schedule II
Notes to the Condensed Financial Information
(Parent Company Only)

1. Basis of Presentation

The condensed financial information of MetLife, Inc. (the "Parent Company") should be read in conjunction with the consolidated financial statements of MetLife, Inc. and its subsidiaries and the notes thereto (the "Consolidated Financial Statements"). These condensed unconsolidated financial statements reflect the results of operations, financial position and cash flows for MetLife, Inc. Investments in subsidiaries are accounted for using the equity method of accounting.

The preparation of these condensed unconsolidated financial statements in conformity with GAAP requires management to adopt accounting policies and make certain estimates and assumptions. The most important of these estimates and assumptions relate to the fair value measurements, the accounting for goodwill and identifiable intangible assets and the provision for potential losses that may arise from litigation and regulatory proceedings and tax audits, which may affect the amounts reported in the condensed unconsolidated financial statements and accompanying notes. Actual results could differ from these estimates.

2. Investment in Subsidiaries

On August 3, 2017, Brighthouse Financial, Inc. paid a cash dividend to MetLife, Inc. of $1.8 billion in connection with the Separation.

In December 2016, MLIC transferred the issued and outstanding shares of the common stock of each of NELICO and GALIC to MetLife, Inc. in the form of a non-cash extraordinary dividend of $2.7 billion.

In February 2016, MetLife, Inc. paid a cash capital contribution of $1.5 billion to Brighthouse Insurance in connection with the Separation.

In December 2015, MetLife, Inc. accrued $50 million, $45 million and $25 million in capital contributions payable to the following captive reinsurers: MRV, MetLife Reinsurance Company of Delaware ("MRD") and MRSC, respectively, which were included in payables to subsidiaries at December 31, 2015. The payables were settled for cash in February 2016.

3. Loans to Subsidiaries

MetLife, Inc. lends funds as necessary, through credit agreements or otherwise to its subsidiaries, some of which are regulated, to meet their capital requirements or to provide liquidity. Payments of interest and principal on surplus notes of regulated subsidiaries, which are subordinate to all other obligations of the issuing company, may be made only with the prior approval of the insurance department of the state of domicile.

In April 2017, in connection with the Separation, MetLife, Inc. repaid $750 million and $350 million senior notes to MRD due September 2032 and December 2033, respectively, in an exchange transaction. The $750 million senior note bore interest at a fixed rate of 4.21% and the $350 million senior note bore interest at a fixed rate of 5.10%. Simultaneously, MRD repaid $750 million and $350 million surplus notes to MetLife, Inc. The $750 million surplus note bore interest at a fixed rate of 5.13% and the $350 million surplus note bore interest at a fixed rate of 6.00% (the "MRD Notes Exchange").

In April 2016, American Life issued a $140 million short-term note to MetLife, Inc. which was repaid in July 2016. The short-term note bore interest at six-month LIBOR plus 1.00%.

Interest income earned on loans to subsidiaries of $3 million, $44 million and $64 million for the years ended December 31, 2018, 2017 and 2016, respectively, is included in net investment income.

Table of Contents
MetLife, Inc.
Schedule II
Notes to the Condensed Financial Information — (continued)
(Parent Company Only)

4. Long-term Debt
Long-term debt outstanding was as follows:

| | Interest Rates (1) | | | December 31, | |
|---|---|---|---|---|---|
| | Range | Weighted Average | Maturity | 2018 | 2017 |
| | (Dollars in millions) | | | | |
| Senior notes — unaffiliated (2) | 3.00%-6.50% | 4.96% | 2020-2046 | $11,844 | $14,599 |
| Senior notes — affiliated | 0.82%-3.14% | 2.16% | 2019-2021 | 1,957 | 2,000 |
| Total | | | | $13,801 | $16,599 |

(1) Range of interest rates and weighted average interest rates are for the year ended December 31, 2018.
(2) Net of $79 million and $86 million of unamortized issuance costs and net premiums and discounts at December 31, 2018 and 2017, respectively.

See Note 12 of the Notes to the Consolidated Financial Statements.

The aggregate maturities of long-term debt at December 31, 2018 for the next five years and thereafter are $728 million in 2019, $750 million in 2020, $1.4 billion in 2021, $500 million in 2022, $1.0 billion in 2023 and $9.5 billion thereafter.

Credit Facility – Affiliated

In June 2016, MetLife, Inc. entered into a five-year agreement with an indirect wholly-owned subsidiary, MetLife Ireland Treasury d.a.c. (formerly known as MetLife Ireland Treasury Limited) (“MIT”), to borrow up to $1.3 billion on a revolving basis, at interest rates based on the IRS safe harbor interest rate in effect at the time of the borrowing. MetLife, Inc. may borrow funds under the agreement at MIT’s discretion and subject to the availability of funds. There were no outstanding borrowings at December 31, 2018.

Long-term Debt – Affiliated

In June 2016 and March 2016, MetLife, Inc. repaid $204 million and $10 million, respectively, of affiliated long-term debt to MetLife Exchange Trust I at maturity in exchange for a return of capital. The long-term notes bore interest at three-month LIBOR plus 0.7%.

Senior Notes – Affiliated

In May 2018, $500 million in senior notes previously issued by MetLife, Inc. to MLIC and other subsidiaries were redenominated to new 54.6 billion Japanese yen senior notes. The 54.6 billion Japanese yen senior notes mature in December 2021 and bear interest at a rate per annum of 3.14%, payable semi-annually.

In April 2018, $500 million in senior notes previously issued by MetLife, Inc. to MLIC and other subsidiaries were redenominated to new 53.7 billion Japanese yen senior notes. The 53.7 billion Japanese yen senior notes mature in July 2021 and bear interest at a rate per annum of 2.97%, payable semi-annually.

In March 2018, three senior notes previously issued by MetLife, Inc. to MLIC were redenominated to Japanese yen. A $500 million senior note was redenominated to a new 53.3 billion Japanese yen senior note. The 53.3 billion Japanese yen senior note matures in June 2019 and bears interest at a rate per annum of 1.45%, payable semi-annually. A $250 million senior note was redenominated to a new 26.5 billion Japanese yen senior note. The 26.5 billion Japanese yen senior note matures in October 2019 and bears interest at a rate per annum of 1.72%, payable semi-annually. A $250 million senior note was also redenominated to a new 26.5 billion Japanese yen senior note. The 26.5 billion Japanese yen senior note matures in September 2020 and bears interest at a rate per annum of 0.82%, payable semi-annually.

In September 2016, a $250 million senior note issued to MLIC matured and, subsequently, in September 2016 MetLife, Inc. issued a new $250 million senior note to MLIC. The senior note matures in September 2020 and bears interest at a rate per annum of 3.03%, payable semi-annually.

Table of Contents
MetLife, Inc.
Schedule II
Notes to the Condensed Financial Information — (continued)
(Parent Company Only)
4. Long-term Debt (continued)

See Note 3 for information on the MRD Notes Exchange in 2017.
Interest Expense
Interest expense was comprised of the following:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Long-term debt — unaffiliated | $755 | $774 | $811 |
| Long-term debt — affiliated | 45 | 112 | 160 |
| Collateral financing arrangements | 6 | 27 | 47 |
| Junior subordinated debt securities | 203 | 195 | 134 |
| Total | $1,009 | $1,108 | $1,152 |

See Notes 13 and 14 of the Notes to the Consolidated Financial Statements for information about the collateral financing arrangement and junior subordinated debt securities. See also Note 3 of the Notes to the Consolidated Financial Statements regarding the termination of the MRSC collateral financing arrangement.
5. Junior Subordinated Debt Securities
In February 2017, in connection with the Separation, MetLife, Inc. exchanged $750 million aggregate principal amount of its 9.250% Fixed-to-Floating Rate Junior Subordinated Debentures due 2068 for $750 million aggregate liquidation preference of the 9.250% Fixed-to-Floating Rate Exchangeable Surplus Trust Securities of the Trust. As a result of the exchange, MetLife, Inc. became the sole beneficial owner of the Trust, a SPE, which issued the exchangeable surplus trust securities to third party investors. In March 2017, MetLife, Inc. dissolved the Trust and became the direct holder of $750 million 8.595% surplus notes previously held by the Trust that were issued by Brighthouse Insurance. In June 2017, MetLife, Inc. forgave Brighthouse Insurance's obligation to pay the principal amount of such surplus notes.
6. Support Agreements
MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arrangements, MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations.
MetLife, Inc. guarantees the obligations of its subsidiary, Missouri Reinsurance, Inc. ("MoRe"), under a retrocession agreement with RGA Reinsurance (Barbados) Inc., pursuant to which MoRe retrocedes a portion of the closed block liabilities associated with industrial life and ordinary life insurance policies that it assumed from MLIC.
MetLife, Inc. guarantees the obligations of MetLife Reinsurance Company of Bermuda, Ltd. ("MrB"), a Bermuda insurance affiliate and an indirect, wholly-owned subsidiary of MetLife, Inc. under a reinsurance agreement with Mitsui Sumitomo Primary Life Insurance Co., Ltd. ("Mitsui"), a former affiliate that is now an unaffiliated third party, under which MrB reinsures certain variable annuity business written by Mitsui.
MetLife, Inc. guarantees the obligations of MrB in an aggregate amount up to $1.0 billion, under a reinsurance agreement with MetLife Europe d.a.c. ("MEL") (formerly known as MetLife Europe Limited), under which MrB reinsured the guaranteed living benefits and guaranteed death benefits associated with certain unit-linked variable annuity type liability contracts issued by MEL.

Table of Contents
MetLife, Inc.
Schedule II
Notes to the Condensed Financial Information — (continued)
(Parent Company Only)
6. Support Agreements (continued)

MetLife, Inc., in connection with MRV's reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause the two protected cells of MRV to maintain total adjusted capital in an amount that is equal to or greater than 200% of each such protected cell's authorized control level RBC, as defined in Vermont state insurance statutes. See Note 12 of the Notes to the Consolidated Financial Statements.

MetLife, Inc., in connection with the collateral financing arrangement associated with MRC's reinsurance of a portion of the liabilities associated with the closed block, committed to the South Carolina Department of Insurance to make capital contributions, if necessary, to MRC so that MRC may at all times maintain its total adjusted capital in an amount that is equal to or greater than 200% of the Company Action Level RBC, as defined in South Carolina state insurance statutes as in effect on the date of determination or December 31, 2007, whichever calculation produces the greater capital requirement, or as otherwise required by the South Carolina Department of Insurance. See Note 13 of the Notes to the Consolidated Financial Statements.

MetLife, Inc. guarantees obligations arising from OTC-bilateral derivatives of the following subsidiaries: MrB, MetLife International Holdings, LLC and MetLife Worldwide Holdings, LLC. These subsidiaries are exposed to various risks relating to their ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. These subsidiaries use a variety of strategies to manage these risks, including the use of derivatives. Further, all of the subsidiaries' derivatives are subject to industry standard netting agreements and collateral agreements that limit the unsecured portion of any open derivative position. On a net counterparty basis at December 31, 2018 and 2017, derivative transactions with positive mark-to-market values (in-the-money) were $302 million and $515 million, respectively, and derivative transactions with negative mark-to-market values (out-of-the-money) were $84 million and $126 million, respectively. To secure the obligations represented by the out of-the-money transactions, the subsidiaries had provided collateral to their counterparties with an estimated fair value of $84 million and $114 million at December 31, 2018 and 2017, respectively. Accordingly, unsecured derivative liabilities guaranteed by MetLife, Inc. were $0 and $12 million at December 31, 2018 and 2017, respectively.

MetLife, Inc. also guarantees the obligations of certain of its subsidiaries under committed facilities with third-party banks. See Note 12 of the Notes to the Consolidated Financial Statements.

Table of Contents

MetLife, Inc.
Schedule III
Consolidated Supplementary Insurance Information
December 31, 2018 and 2017
(In millions)

| Segment | DAC and VOBA | Future Policy Benefits, Other Policy-Related Balances and Policyholder Dividend Obligation | Policyholder Account Balances | Policyholder Dividends Payable | Unearned Premiums (1), (2) | Unearned Revenue (1) |
|---|---|---|---|---|---|---|
| 2018 | | | | | | |
| U.S. | $633 | $ 72,639 | $ 69,002 | $ — | $ 1,945 | $ 36 |
| Asia | 10,156 | 41,846 | 66,610 | 86 | 2,381 | 1,299 |
| Latin America | 1,984 | 10,170 | 5,961 | — | 119 | 719 |
| EMEA | 1,622 | 5,357 | 11,712 | 5 | 19 | 464 |
| MetLife Holdings | 4,474 | 72,405 | 30,394 | 586 | 162 | 192 |
| Corporate & Other | 26 | 1,320 | 14 | — | — | — |
| Total | $18,895 | $ 203,737 | $ 183,693 | $ 677 | $ 4,626 | $ 2,710 |
| 2017 | | | | | | |
| U.S. | $614 | $ 65,610 | $ 70,455 | $ — | $ 1,907 | $ 24 |
| Asia | 9,261 | 39,702 | 59,702 | 80 | 2,378 | 916 |
| Latin America | 2,050 | 10,397 | 6,361 | — | 115 | 675 |
| EMEA | 1,673 | 5,768 | 13,811 | 7 | 24 | 454 |
| MetLife Holdings | 4,797 | 73,317 | 32,176 | 595 | 167 | 205 |
| Corporate & Other | 24 | 816 | 13 | — | 1 | — |
| Total | $18,419 | $ 195,610 | $ 182,518 | $ 682 | $ 4,592 | $ 2,274 |

(1) Amounts are included within the future policy benefits, other policy-related balances and policyholder dividend obligation column.
(2) Includes premiums received in advance.

Table of Contents

MetLife, Inc.
Schedule III
Consolidated Supplementary Insurance Information — (continued)
For the Years Ended December 31, 2018, 2017 and 2016
(In millions)

| Segment | Premiums and Universal Life and Investment-Type Product Policy Fees | Net Investment Income | Policyholder Benefits and Claims and Interest Credited to Policyholder Account Balances | Amortization of DAC and VOBA Charged to Other Expenses | Other Expenses (1) |
|---|---|---|---|---|---|
| 2018 | | | | | |
| U.S. | $ 29,239 | $ 6,703 | $ 29,539 | $ 477 | $ 3,466 |
| Asia | 8,390 | 3,055 | 6,559 | 1,297 | 1,903 |
| Latin America | 3,817 | 1,194 | 3,057 | 209 | 1,044 |
| EMEA | 2,587 | (195) | 772 | 433 | 909 |
| MetLife Holdings | 5,191 | 5,222 | 6,662 | 553 | 2,286 |
| Corporate & Other | 118 | 187 | 80 | 6 | 2,382 |
| Total | $ 49,342 | $ 16,166 | $ 46,669 | $ 2,975 | $ 11,990 |
| 2017 | | | | | |
| U.S. | $ 24,644 | $ 6,201 | $ 25,103 | $ 459 | $ 3,235 |
| Asia | 8,352 | 3,299 | 6,799 | 1,310 | 1,802 |
| Latin America | 3,737 | 1,288 | 2,973 | 224 | 1,111 |
| EMEA | 2,492 | 1,157 | 2,012 | 356 | 966 |
| MetLife Holdings | 5,603 | 5,426 | 7,097 | 234 | 2,550 |
| Corporate & Other | (326) | (8) | (64) | 98 | 2,507 |
| Total | $ 44,502 | $ 17,363 | $ 43,920 | $ 2,681 | $ 12,171 |
| 2016 | | | | | |
| U.S. | $ 22,490 | $ 5,942 | $ 22,892 | $ 471 | $ 3,244 |
| Asia | 8,914 | 2,807 | 6,916 | 1,350 | 1,795 |
| Latin America | 3,554 | 1,133 | 2,770 | 184 | 1,007 |
| EMEA | 2,442 | 1,229 | 2,064 | 408 | 924 |
| MetLife Holdings | 6,034 | 5,670 | 7,521 | 424 | 3,392 |
| Corporate & Other | (749) | 9 | (629) | (119) | 1,892 |
| Total | $ 42,685 | $ 16,790 | $ 41,534 | $ 2,718 | $ 12,254 |

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(1) Includes other expenses and policyholder dividends, excluding amortization of DAC and VOBA charged to other expenses.

Table of Contents

MetLife, Inc.
Schedule IV
Consolidated Reinsurance
December 31, 2018, 2017 and 2016
(Dollars in millions)

| | Gross Amount | Ceded | Assumed | Net Amount | % Amount Assumed to Net | |
|---|---|---|---|---|---|---|
| 2018 | | | | | | |
| Life insurance in-force | $ 4,963,820 | $507,589 | $532,511 | $4,988,742 | 10.7 | % |
| Insurance premium | | | | | | |
| Life insurance (1) | $ 26,356 | $1,792 | $1,791 | $26,355 | 6.8 | % |
| Accident & health insurance | 14,166 | 515 | 212 | 13,863 | 1.5 | % |
| Property and casualty insurance | 3,677 | 73 | 18 | 3,622 | 0.5 | % |
| Total insurance premium | $ 44,199 | $2,380 | $2,021 | $43,840 | 4.6 | % |
| 2017 | | | | | | |
| Life insurance in-force | $ 4,594,523 | $513,091 | $581,246 | $4,662,678 | 12.5 | % |
| Insurance premium | | | | | | |
| Life insurance (1) | $ 22,379 | $1,863 | $1,531 | $22,047 | 6.9 | % |
| Accident & health insurance | 13,593 | 442 | 223 | 13,374 | 1.7 | % |
| Property and casualty insurance | 3,623 | 71 | 19 | 3,571 | 0.5 | % |
| Total insurance premium | $ 39,595 | $2,376 | $1,773 | $38,992 | 4.5 | % |
| 2016 | | | | | | |
| Life insurance in-force | $ 4,098,780 | $481,028 | $613,693 | $4,231,445 | 14.5 | % |
| Insurance premium | | | | | | |
| Life insurance (1) | $ 20,857 | $1,614 | $1,089 | $20,332 | 5.4 | % |
| Accident & health insurance | 13,551 | 447 | 257 | 13,361 | 1.9 | % |
| Property and casualty insurance | 3,567 | 75 | 17 | 3,509 | 0.5 | % |
| Total insurance premium | $ 37,975 | $2,136 | $1,363 | $37,202 | 3.7 | % |

(1) Includes annuities with life contingencies.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act. The Company has designed these controls and procedures to ensure that information the Company is required to disclose in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to Company management, including the CEO and CFO as appropriate, to allow timely decisions regarding required disclosure. Management, including the CEO and CFO, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, the CEO and CFO concluded that the disclosure controls and procedures were effective as of December 31, 2018.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. In fulfilling this responsibility, management's estimates and judgments must assess the expected benefits and related costs of control procedures. The Company's internal control objectives include providing management with reasonable, but not absolute, assurance that the Company has safeguarded assets against loss from unauthorized use or disposition, and that the Company has executed transactions in accordance with management's authorization and recorded them properly to permit the preparation of consolidated financial statements in conformity with GAAP.

Management evaluated the design and operating effectiveness of the Company's internal control over financial reporting based on the criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO framework"). In the opinion of management, MetLife, Inc. maintained effective internal control over financial reporting as of December 31, 2018.

Deloitte has issued its report on its audit of the effectiveness of internal control over financial reporting, which is included on page 367.

Changes in Internal Control Over Financial Reporting

Except with respect to our remedial actions described below, the Company did not materially change its internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act during the quarter ended December 31, 2018, and made no changes that it believes are reasonably likely to materially affect, its internal control over financial reporting.

Remediation of Material Weaknesses

The Company identified the following material weaknesses in the principles associated with both the control activities and information and communication components of the COSO framework as of December 31, 2017 in its annual report on Form 10-K for the year ended December 31, 2017:

RIS Group Annuity Reserves:

- Ineffective design and operating effectiveness of the controls related to processes and procedures for identifying unresponsive and missing group annuity annuitants and pension beneficiaries (Control Activities); and
- Ineffective design and operating effectiveness of the controls intended to ensure timely communication and escalation of the issue throughout the Company (Information and Communication).

MetLife Holdings Assumed Variable Annuity Guarantee Reserves:

Ineffective design and operating effectiveness of the controls related to data validation and monitoring of reserves for variable annuity guarantees issued by a former operating joint venture in Japan and reinsured by the Company and included within MetLife Holdings (Control Activities).

The Company's remediation steps outlined below strengthened its internal control over financial reporting. As of December 31, 2018, the Company had implemented these enhanced procedures and controls and successfully tested them. As a result, the Company concluded that it had remediated the material weaknesses associated with RIS Group Annuity Reserves and MetLife Holdings Assumed Variable Annuity Guarantee Reserves as of that date.

To remediate the material weaknesses identified above, management performed the following actions:
RIS Group Annuity Reserves:

- The Company engaged third party advisors and employees, supervised by MetLife, Inc.'s CRO, to examine and analyze the facts and circumstances giving rise to the material weakness and addressed those findings;
- The Company changed its accounting procedures, administrative and search practices to identify, contact, and record responses from "unresponsive and missing" plan annuitants and to otherwise locate missing annuitants; and
- The Company implemented enhanced internal controls associated with timely internal communication and escalation procedures and governance.

MetLife Holdings Assumed Variable Annuity Guarantee Reserves:

- The Company engaged third party advisors and employees, supervised by MetLife, Inc.'s Chief Auditor, to examine and analyze the facts and circumstances giving rise to the material weakness, and addressed those findings; and
- The Company enhanced its reconciliation, analytic controls, and change management to ensure the completeness and accuracy of the assumed reinsurance in-force data.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of MetLife, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of MetLife, Inc. and subsidiaries (the “Company”) as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018, of the Company and our report dated February 21, 2019, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may

deteriorate.

/s/ DELOITTE & TOUCHE LLP

New York, New York

February 21, 2019

Table of Contents

Item 9B. Other Information
None.
Part III
Item 10. Directors, Executive Officers and Corporate Governance
The information called for by this Item pertaining to Directors is incorporated herein by reference to the sections entitled “Proxy Summary — Director Nominees’ Experience, Tenure, Independence and Diversity,” “Proposal 1 — Election of Directors For a One-Year Term Ending at the 2020 Annual Meeting of Shareholders — Director Nominees” and “Proposal 1 — Election of Directors For a One-Year Term Ending at the 2020 Annual Meeting of Shareholders — Corporate Governance — Information About the Board of Directors” and “Other Information — Section 16(a) Beneficial Ownership Reporting Compliance” in MetLife, Inc.’s definitive proxy statement for the Annual Meeting of Shareholders to be held on June 18, 2019, to be filed by MetLife, Inc. with the SEC pursuant to Regulation 14A within 120 days after the year ended December 31, 2018 (the “2019 Proxy Statement”).
The information called for by this Item pertaining to Executive Officers appears in “Business — Executive Officers” in this Annual Report on Form 10-K and “Other Information — Section 16(a) Beneficial Ownership Reporting Compliance” in the 2019 Proxy Statement.
The Company has adopted the MetLife Financial Management Code of Professional Conduct (the “Financial Management Code”), a “code of ethics” as defined under the rules of the SEC, that applies to MetLife, Inc.’s Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and all professionals in finance and finance-related departments. In addition, the Company has adopted the Directors’ Code of Business Conduct and Ethics (the “Directors’ Code”) which applies to all members of MetLife, Inc.’s Board of Directors, including the Chief Executive Officer, and the Code of Conduct (together with the Financial Management Code and the Directors’ Code, collectively, the “Ethics Codes”), which applies to all employees of the Company, including MetLife, Inc.’s Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The Ethics Codes are available on the Company’s website at https://www.metlife.com/about-us/corporate-governance/corporate-conduct/. The Company intends to satisfy its disclosure obligations under Item 5.05 of Form 8-K by posting information about amendments to, or waivers from a provision of, the Ethics Codes that apply to MetLife, Inc.’s Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer on the Company’s website at the address given above.
Item 11. Executive Compensation
The information called for by this Item is incorporated herein by reference to the sections entitled “Proposal 1 — Election of Directors for a One-Year Term Ending at the 2020 Annual Meeting of Shareholders — Corporate Governance — Information About the Board of Directors,” “Proposal 1 — Election of Directors for a One-Year Term Ending at the 2020 Annual Meeting of Shareholders — Director Compensation in 2018,” and “Proposal 3 — Advisory Vote to Approve the Compensation Paid to the Company’s Named Executive Officers” in the 2019 Proxy Statement.
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
The information called for by this Item pertaining to ownership of shares of MetLife, Inc.’s common stock (“Shares”) is incorporated herein by reference to the sections entitled “Other Information — Security Ownership of Directors and Executive Officers” and “Other Information — Security Ownership of Certain Beneficial Owners” in the 2019 Proxy Statement.

Table of Contents

The following table provides information at December 31, 2018, regarding MetLife, Inc.'s equity compensation plans:
Equity Compensation Plan Information at December 31, 2018

| Plan Category | Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (1) | Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (2) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(3) |
|---|---|---|---|
| | (a) | (b) | (c) |
| Equity compensation plans approved by security holders | 23,814,156 | $ 36.70 | 39,004,985 |
| Equity compensation plans not approved by security holders | None | — | None |
| Total | 23,814,156 | $ 36.70 | 39,004,985 |

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(1) Column (a) reflects the following items outstanding as of December 31, 2018:

| | |
|---|---|
| Stock Options | 12,355,294 |
| Restricted Stock Units | 2,946,269 |
| Performance Shares (assuming future payout at maximum performance factor) | 7,077,410 |
| Deferred Shares | 1,435,183 |
| Shares that will or may be issued | 23,814,156 |

As of December 31, 2018:

- Stock Options under the MetLife, Inc. 2015 Stock and Incentive Compensation Plan (the "2015 Stock Plan") and its predecessor plan, the MetLife, Inc. 2005 Stock and Incentive Compensation Plan (the "2005 Stock Plan") were outstanding;
- Restricted Stock Units and Performance Shares under the 2015 Stock Plan were outstanding; and
- Deferred Shares related to awards under the 2015 Stock Plan, MetLife, Inc. 2015 Non-Management Directors Stock Compensation Plan (the "2015 Director Stock Plan"), 2005 Stock Plan, MetLife, Inc. 2005 Non-Management Directors Stock Compensation Plan (the "2005 Director Stock Plan"), and earlier plans, were outstanding. Deferred Shares are related to awards that have become payable in Shares under any plan, but the issuance of which has been deferred.

The maximum performance factor for Performance Shares granted in 2016, 2017, and 2018 was 175%. The number of Performance Shares outstanding as of December 31, 2018 at target (100%) performance factor was 4,044,234.

MetLife, Inc. may issue Shares pursuant to awards (including Stock Option exercises, if any) under any plan using Shares held in treasury by MetLife, Inc. or by issuing new Shares.

For a general description of how the number of Shares paid out on account of Performance Shares and Restricted Stock Units is determined, and the vesting periods applicable to Performance Shares and Restricted Stock Units, see Note 15 of the Notes to the Consolidated Financial Statements.

(2) Column (b) reflects the weighted average exercise price of all Stock Options under any plan that, as of December 31, 2018, had been granted but not forfeited, expired, or exercised. Performance Shares, Restricted Stock Units, and Deferred Shares are not included in determining the weighted average in column (b) because they have no exercise price.

(3) Column (c) reflects the following items outstanding as of December 31, 2018:

| | Number of Shares |
|---|---|
| At January 15, 2015, the effective date of the 2015 Stock Plan and 2015 Director Stock Plan: | |
| Shares newly authorized for issuance under the 2015 Stock Plan | 11,750,000 |
| Shares remaining authorized for issuance under the 2005 Stock Plan or other plans that were not covered by awards (i) | 18,023,959 |
| Shares authorized for issuance under the 2015 Director Stock Plan (ii) | 1,642,208 |
| Total Shares authorized for issuance at January 1, 2015 | 31,416,167 |
| Additional Shares recovered for issuance (iii) in: | |
| 2015 | 4,475,737 |
| 2016 | 6,344,455 |
| 2017 | 6,636,193 |
| 2018 | 5,655,122 |
| Total Shares recovered for issuance since January 1, 2015 | 23,111,507 |
| Less: Shares covered by new awards and new imputed reinvested dividends on Deferred Shares (iv) in: | |
| 2015 | 4,413,785 |
| 2016 | 6,036,177 |
| 2017 | 4,532,897 |
| 2018 | 4,519,557 |
| Total Shares covered by new awards and new imputed reinvested dividends on Deferred Shares since January 1, 2015 | 19,502,416 |
| Net shares added to the 2015 Stock Plan and 2015 Director Plan authorizations in light of the Separation (v) | 3,979,727 |
| Shares remaining available for future issuance under the 2015 Stock Plan and 2015 Director Stock Plan | 39,004,985 |

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(i) Consists of Shares that were not covered by awards, including Shares previously covered by awards but recovered due to forfeiture of awards or other reasons and once again available for issuance.

(ii) Consists of Shares remaining authorized for issuance under the predecessor plan, the 2005 Director Stock Plan, that were not covered by awards, including Shares previously covered by awards but recovered due to forfeiture of awards or other reasons and once again available.

(iii) Consists of Shares utilized under the 2005 Stock Plan or 2015 Stock Plan that were recovered during each of the indicated calendar years, and therefore once again available for issuance, due to: (i) termination of the award by expiration, forfeiture, cancellation, lapse, or otherwise without issuing Shares; (ii) settlement of the award in cash either in lieu of Shares or otherwise; (iii) exchange of the award for awards not involving Shares; (iv) payment of the exercise price of a Stock Option, or the tax withholding requirements with respect to an award, satisfied by tendering Shares to MetLife, Inc. (by either actual delivery or by attestation); (v) satisfaction of tax withholding requirements with respect to an award satisfied by MetLife, Inc. withholding Shares otherwise issuable; and (vi) the payout of Performance Shares at any performance factor less than the maximum performance factor.

(iv) Consists of Shares covered by awards granted under the 2015 Stock Plan (including Performance Shares assuming future payout at maximum performance factor). Shares covered by awards granted under the 2015 Directors Stock Plan and Shares covered by imputed reinvested dividends credited on Deferred Shares owed to directors, employees or agents, in each case during each of the indicated calendar years.

(v) In light of the Separation, and in order to maintain the Share authorizations under each plan at the levels that shareholders had approved, MetLife, Inc. increased the number of Shares authorized for issuance under the 2015 Stock Plan and 2015 Director Plan as of August 4, 2017, excluding those Shares from the authorizations that had already been issued, by the Adjustment Ratio. MetLife, Inc. also increased the number of Shares covered by outstanding Stock Options, Performance Shares, Restricted Stock Units, and Deferred Shares on that date by the Adjustment Ratio, in order to maintain the intrinsic value of those awards and Deferred Shares, which decreased the number of Shares available for issuance under both plans. The amount in this row is the net increase in the Share authorization under both the 2015

371

Table of Contents

Stock Plan and 2015 Director Plan as a result of these adjustments. For a description of the adjustment to Stock Options, Performance Shares, Restricted Stock Units, and Deferred Shares, see Note 15 of the Notes to the Consolidated Financial Statements.

Each Share MetLife, Inc. issues in connection with awards granted under the MetLife, Inc. 2005 Stock Plan other than Stock Options or Stock Appreciation Rights (such as Shares payable on account of Performance Shares or Restricted Stock Units under that plan, including any Deferred Shares resulting from such awards) reduces the number of Shares remaining for issuance by 1.179 ("2005 Stock Plan Share Award Ratio"). Each Share MetLife, Inc. issues in connection with a Stock Option or Stock Appreciation Right granted under the 2005 Stock Plan, or in connection with any award under any other plan for employees and agents (including any Deferred Shares resulting from such awards), reduces the number of Shares remaining for issuance by 1.0. ("Standard Award Ratio"). Shares related to awards that are recovered, and therefore authorized for issuance under the 2015 Stock Plan, are recovered with consideration of the 2005 Stock Plan Share Award Ratio and Standard Award Ratio, as applicable. Each Share MetLife, Inc. issues under the 2005 Director Stock Plan or 2015 Director Stock Plan (including any Deferred Shares resulting from such awards) reduces the number of Shares remaining for issuance under that plan by one. Shares related to awards that are recovered, and therefore authorized for issuance under the 2015 Director Stock Plan are recovered with consideration of this ratio. If MetLife, Inc. was to grant a Share-settled Stock Appreciation Right under the 2015 Stock Plan and the award holder exercised it, only the number of Shares MetLife, Inc. issued, net of the Shares tendered, if any, would be deemed delivered for purposes of determining the maximum number of Shares MetLife, Inc. may issue under the 2015 Stock Plan.

Any Shares covered by awards under the 2015 Director Stock Plan that were to be recovered due to (i) termination of the award by expiration, forfeiture, cancellation, lapse, or otherwise without issuing Shares; (ii) settlement of the award in cash either in lieu of Shares or otherwise; (iii) exchange of the award for awards not involving Shares; and (iv) payment of the exercise price of a Stock Option, or the tax withholding requirements with respect to an award, satisfied by tendering Shares to MetLife, Inc. (by either actual delivery or by attestation) would be available to be issued under the 2015 Director Stock Plan. In addition, if MetLife, Inc. was to grant a Share-settled Stock Appreciation Right under the 2015 Director Stock Plan, only the number of Shares issued, net of the Shares tendered, if any, would be deemed delivered for purposes of determining the maximum number of Shares available for issuance under the 2015 Director Stock Plan.

Under both the 2015 Stock Plan and the 2015 Director Stock Plan, in the event of a corporate event or transaction (including, but not limited to, a change in the Shares or the capitalization of MetLife) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, extraordinary dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of MetLife, combination of securities, exchange of securities, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to shareholders of MetLife, or any similar corporate event or transaction, the appropriate committee of the Board of Directors of MetLife, in order to prevent dilution or enlargement of participants' rights under the applicable plan, shall substitute or adjust, as applicable, the number and kind of Shares that may be issued under that plan and shall adjust the number and kind of Shares subject to outstanding awards. Any Shares related to awards under either plan which: (i) terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of Shares; (ii) are settled in cash either in lieu of Shares or otherwise; or (iii) are exchanged with the appropriate committee's permission for awards not involving Shares, are available again for grant under the applicable plan. If the option price of any Stock Option granted under either plan or the tax withholding requirements with respect to any award granted under either plan is satisfied by tendering Shares to MetLife (by either actual delivery or by attestation), or if a Stock Appreciation Right is exercised, only the number of Shares issued, net of the Shares tendered, if any, will be deemed delivered for purposes of determining the maximum number of Shares available for issuance under that plan. The maximum number of Shares available for issuance under either plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as additional Restricted Stock or Restricted Stock Units.

For a description of the kinds of awards that have been or may be made under the 2015 Stock Plan and 2015 Director Stock Plan and awards that remained outstanding under the 2005 Stock Plan, see Note 15 of the Notes to the

Consolidated Financial Statements.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by this Item is incorporated herein by reference to the sections entitled “Proposal 1 — Election of Directors for a One-Year Term Ending at the 2019 Annual Meeting of Shareholders — Corporate Governance — Procedures for Reviewing Related Person Transactions,” “Proposal 1 — Election of Directors for a One-Year Term Ending at the 2019 Annual Meeting of Shareholders — Corporate Governance — Related Person Transactions” and “Proposal 1 — Election of Directors for a One-Year Term Ending at the 2019 Annual Meeting of Shareholders — Corporate Governance — Information About the Board of Directors — Composition and Independence of the Board of Directors” in the 2019 Proxy Statement.

Table of Contents

Item 14. Principal Accountant Fees and Services

The information called for by this item is incorporated herein by reference to the section entitled “Proposal 2 — Ratification of Appointment of the Independent Auditor” in the 2019 Proxy Statement.

Part IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

1. Financial Statements

The financial statements are listed in the Index to Consolidated Financial Statements, Notes and Schedules on page 180.

2. Financial Statement Schedules

The financial statement schedules are listed in the Index to Consolidated Financial Statements, Notes and Schedules on page 180.

3. Exhibits

The exhibits are listed in the Exhibit Index which begins on page 374.

Item 16. Form 10-K Summary

None.

Table of Contents

Exhibit Index

(Note Regarding Reliance on Statements in Our Contracts: In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MetLife, Inc., its subsidiaries or affiliates, or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about MetLife, Inc., its subsidiaries and affiliates may be found elsewhere in this Annual Report on Form 10-K and MetLife, Inc.'s other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)

| | | Incorporated By Reference | | | | |
|---|---|---|---|---|---|---|
| Exhibit No. | Description | Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
| 2.1 | Plan of Reorganization. | S-1 | 333-91517 | 2.1 | November 23, 1999 | |
| 2.2 | Amendment to Plan of Reorganization, dated as of March 9, 2000. | S-1/A | 333-91517 | 2.2 | March 29, 2000 | |
| 2.3 | Master Separation Agreement, dated August 4, 2017, between MetLife, Inc. and Brighthouse Financial, Inc. | 8-K | 001-15787 | 2.1 | August 7, 2017 | |
| 3.1 | Amended and Restated Certificate of Incorporation of MetLife, Inc. | 10-K | 001-15787 | 3.1 | March 1, 2017 | |
| 3.2 | Certificate of Retirement of Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock of MetLife, Inc., filed with the Secretary of State of Delaware on November 5, 2013. | 10-Q | 001-15787 | 3.6 | November 7, 2013 | |
| 3.3 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated April 29, 2015. | 8-K | 001-15787 | 3.1 | April 30, 2015 | |
| 3.4 | Certificate of Designations of 5.250% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, of MetLife, Inc., filed with the Secretary of State of Delaware on May 28, 2015. | 8-K | 001-15787 | 3.1 | May 28, 2015 | |
| 3.5 | | 10-Q | 001-15787 | 3.7 | | |

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| | Certificate of Elimination of 6.500% Non-Cumulative Preferred Stock, Series B, of MetLife, Inc., filed with the Secretary of State of Delaware on November 3, 2015. | | | | November 5, 2015 |
| 3.6 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated April 29, 2011. | 10-K | 001-15787 | 3.4 | March 1, 2017 |
| 3.7 | Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of MetLife, Inc., filed with the Secretary of State of Delaware on April 7, 2000. | 10-K | 001-15787 | 3.2 | March 1, 2017 |
| 3.8 | Certificate of Designations of Floating Rate Non-Cumulative Preferred Stock, Series A, of MetLife, Inc., filed with the Secretary of State of Delaware on June 10, 2005. | 10-K | 001-15787 | 3.3 | March 1, 2017 |
| 3.9 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated October 23, 2017 | 8-K | 001-15787 | 3.1 | October 24, 2017 |
| 3.10 | Certificate of Designations of 5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D, of MetLife, Inc., filed with the Secretary of State of Delaware on March 21, 2018. | 8-K | 001-15787 | 3.1 | March 22, 2018 |

Table of Contents

| Exhibit No. | Description | Incorporated By Reference Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| 3.11 | Certificate of Designations of 5.625% Non-Cumulative Preferred Stock, Series E, of MetLife, Inc., filed with the Secretary of the State of Delaware on May 31, 2018. | 8-K | 001-15787 | 3.1 | June 4, 2018 | |
| 3.12 | Amended and Restated By-Laws of MetLife, Inc., effective September 25, 2018. | 8-K | 001-15787 | 3.2 | October 1, 2018 | |
| 4.1 | Form of Certificate for Common Stock, par value $0.01 per share. | S-1/A | 333-91517 | 4.1 | March 9, 2000 | |
| 4.2 | Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of MetLife, Inc., filed with the Secretary of State of Delaware on April 7, 2000. (See Exhibit 3.7 above). | | | | | |
| 4.3 | Certificate of Designations of Floating Rate Non-Cumulative Preferred Stock, Series A, of MetLife, Inc., filed with the Secretary of State of Delaware on June 10, 2005. (See Exhibit 3.8 above). | | | | | |
| 4.4 | Form of Stock Certificate, Floating Rate Non-Cumulative Preferred Stock, Series A, of MetLife, Inc. | 8-A | 001-15787 | 99.6 | June 10, 2005 | |
| 4.5 | Certificate of Designations of 5.250% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, of MetLife, Inc., filed with the Secretary of State of Delaware on May 28, 2015. (See Exhibit 3.4 above). | | | | | |
| 4.6 | Form of Stock Certificate, 5.250% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, of MetLife, Inc. | 8-K | 001-15787 | 4.2 | May 28, 2015 | |
| 4.7 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated October 23, 2017. (See Exhibit 3.9 above). | | | | | |
| 4.8 | Form of Stock Certificate, 5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D, of MetLife, Inc. | 8-K | 001-15787 | 4.1 | March 22, 2018 | |
| 4.9 | Form of Stock Certificate, 5.625% Non-Cumulative Preferred Stock, Series E, of MetLife, Inc. | 8-K | 001-15787 | 4.1 | June 4, 2018 | |
| 4.10 | | 8-K | 001-15787 | 4.2 | | |

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| | Deposit Agreement, dated June 4, 2018, among the Company, Computershare Inc. and Computershare Trust Company, N.A., as depositary, and the holders from time to time of the depositary receipts described therein. | | | | June 4, 2018 |
| 4.11 | Form of Depositary Receipt, Depositary Shares each representing a 1/1,000th interest in a share of 5.625% Non-Cumulative Preferred Stock, Series E, of MetLife, Inc. | 8-K | 001-15787 | 4.3 | June 4, 2018 |
| | Certain instruments defining the rights of holders of long-term debt of MetLife, Inc. and its consolidated subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. MetLife, Inc. hereby agrees to furnish to the Securities and Exchange Commission, upon request, copies of such instruments. | | | | |
| 10.1.1 | MetLife Policyholder Trust Agreement. | S-1 | 333-91517 | 10.12 | November 23, 1999 |
| 10.1.2 | Amendment to MetLife Policyholder Trust Agreement. | 10-K | 001-15787 | 10.62 | February 27, 2013 |
| 10.2 | Five-Year Credit Agreement, dated as of August 4, 2017 ("2017 Credit Agreement"), amending and restating the Five-Year Credit Agreement, dated as of May 30, 2014 ("2014 Credit Agreement"), among MetLife, Inc. and MetLife Funding, Inc., as borrowers, and the other parties signatory thereto (The 2017 Credit Agreement is included as Exhibit A to the Second Amendment, dated as of December 20, 2016, to the 2014 Credit Agreement). | 8-K | 001-15787 | 10.1 | December 21, 2016 |
| 10.3 | Purchase Agreement by and among MetLife, Inc. and Massachusetts Mutual Life Insurance Company, dated as of February 28, 2016. | 10-Q | 001-15787 | 10.1 | May 6, 2016 |

Table of Contents

| Exhibit No. | Description | Incorporated By Reference Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| 10.4 | Tax Separation Agreement, dated as of July 27, 2017, by and among MetLife, Inc. and its affiliates and Brighthouse Financial, Inc. and its affiliates. | 8-K | 001-15787 | 10.1 | August 7, 2017 | |
| 10.5 | MetLife, Inc. 2015 Non-Management Director Stock Compensation Plan, effective January 1, 2015.* | S-8 | 333-198141 | 4.1 | August 14, 2014 | |
| 10.6 | MetLife Non-Management Director Deferred Compensation Plan (as amended and restated, effective January 1, 2005).* | S-8 | 333-214710 | 4.1 | November 18, 2016 | |
| 10.7 | MetLife, Inc. Director Indemnity Plan (dated and effective July 22, 2008).* | 10-K | 001-15787 | 10.94 | February 27, 2014 | |
| 10.8.1 | Agreement to Protect Corporate Property executed by William J. Wheeler on June 21, 2001.* | 10-Q | 001-15787 | 10.2 | November 5, 2015 | |
| 10.8.2 | Agreement to Protect Corporate Property, dated January 12, 2015, executed by Esther S. Lee.* | 10-K | 001-15787 | 10.13 | February 25, 2016 | |
| 10.8.3 | Form of Agreement to Protect Corporate Property executed by Steven A. Kandarian, Steven J. Goulart, and Maria M. Morris.* | 10-K | 001-15787 | 10.14 | February 25, 2016 | |
| 10.8.4 | Form of Agreement to Protect Corporate Property executed by Michel Khalaf, effective April 9, 2012.* | 10-Q | 001-15787 | 10.15 | February 25, 2016 | |
| 10.8.5 | Form of Agreement to Protect Corporate Property executed by Ricardo A. Anzaldua, John C. R. Hele, Frans Hijkoop, and Esther Lee on May 25, 2016; Steven A. Kandarian on May 31, 2016; Steven J. Goulart on June 2, 2016; Maria M. Morris on June 8, 2016 and Martin J. Lippert on July 6, 2016.* | 10-Q | 001-15787 | 10.1 | August 5, 2016 | |
| 10.8.6 | Form of Agreement to Protect Corporate Property executed by Susan Podlogar, effective July 10, 2017, and executed by Ramy Tadros, effective September 11, 2017.* | 10-Q | 001-15787 | 10.1 | August 5, 2016 | |
| 10.9 | MetLife Executive Severance Plan (as amended and restated, effective June 14, 2010).* | 10-K | 001-15787 | 10.1 | February 27, 2015 | |
| 10.10 | MetLife Performance-Based Compensation Recoupment Policy (effective as amended and restated November 1, 2017).* | 8-K | 001-15787 | 10.1 | November 6, 2017 | |

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|---|---|---|---|---|---|
| 10.11.1 | MetLife, Inc. 2015 Stock and Incentive Compensation Plan, effective January 1, 2015 (the "2015 SIC Plan").* | S-8 | 333-198145 | 4.1 | August 14, 2014 |
| 10.11.2 | MetLife, Inc. 2005 Stock and Incentive Compensation Plan, effective April 15, 2005 (the "2005 SIC Plan").* | 10-K | 001-15787 | 10.24 | February 27, 2015 |
| 10.12 | MetLife Annual Variable Incentive Plan (effective as amended and restated January 1, 2015).* | 8-K | 001-15787 | 10.11 | December 11, 2014 |
| 10.13.1 | MetLife International Unit Option Incentive Plan (as amended and restated December 3, 2012).* | 8-K | 001-15787 | 10.11 | February 15, 2013 |
| 10.13.2 | MetLife International Unit Option Incentive Plan, dated July 21, 2011 (as amended and restated effective February 23, 2011).* | 10-K | 001-15787 | 10.24 | March 1, 2017 |
| 10.14 | MetLife International Restricted Unit Incentive Plan (as amended and restated effective February 11, 2013).* | 8-K | 001-15787 | 10.6 | February 15, 2013 |
| 10.15 | MetLife International Performance Unit Incentive Plan (as amended and restated effective February 11, 2013).* | 8-K | 001-15787 | 10.2 | February 15, 2013 |
| 10.16.1 | Form of Stock Option Agreement under the 2005 SIC Plan (effective February 11, 2013).* | 8-K | 001-15787 | 10.9 | February 15, 2013 |
| 10.16.2 | Form of Stock Option Agreement (Three-Year "Cliff" Exercisability) under the 2005 SIC Plan (effective February 11, 2013).* | 8-K | 001-15787 | 10.10 | February 15, 2013 |
| 10.16.3 | Form of Management Stock Option Agreement under the 2005 SIC Plan (effective as of April 25, 2007).* | 10-K | 001-15787 | 10.24 | February 27, 2013 |

| | | Incorporated By Reference | | | | |
|---|---|---|---|---|---|---|
| Exhibit No. | Description | Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
| 10.16.4 | Amendment to Stock Option Agreements under the 2005 SIC Plan (effective as of April 25, 2007).* | 10-K | 001-15787 | 10.25 | February 27, 2013 | |
| 10.16.5 | Form of Stock Option Agreement (Ratable Exercisability in Thirds).* | 8-K | 001-15787 | 10.7 | December 11, 2014 | |
| 10.16.6 | Form of Stock Option Agreement (Three-Year “Cliff” Exercisability).* | 8-K | 001-15787 | 10.8 | December 11, 2014 | |
| 10.16.7 | Form of Management Stock Option Agreement under the 2005 SIC Plan (effective December 15, 2009).* | 10-K | 001-15787 | 10.28 | February 27, 2015 | |
| 10.16.8 | Form of Management Stock Option Agreement under the 2005 SIC Plan.* | 10-K | 001-15787 | 10.29 | February 27, 2015 | |
| 10.16.9 | Form of Stock Option Agreement (Ratable Exercisability in Thirds), effective January 1, 2016.* | 10-K | 001-15787 | 10.101 | February 25, 2016 | |
| 10.16.10 | Form of Stock Option Agreement (Three-Year “Cliff” Exercisability), effective January 1, 2016.* | 10-K | 001-15787 | 10.102 | February 25, 2016 | |
| 10.17.1 | Form of Unit Option Agreement (effective February 11, 2013).* | 8-K | 001-15787 | 10.12 | February 15, 2013 | |
| 10.17.2 | Form of Unit Option Agreement (Three-Year “Cliff” Exercisability) (effective February 11, 2013).* | 8-K | 001-15787 | 10.13 | February 15, 2013 | |
| 10.17.3 | Form of Unit Option Agreement (Ratable Exercisability in Thirds).* | 8-K | 001-15787 | 10.9 | December 11, 2014 | |
| 10.17.4 | Form of Unit Option Agreement (Three-Year “Cliff” Exercisability).* | 8-K | 001-15787 | 10.10 | December 11, 2014 | |
| 10.17.5 | Form of Unit Option Agreement (Ratable Exercisability in Thirds), effective January 1, 2016.* | 10-K | 001-15787 | 10.103 | February 25, 2016 | |
| 10.17.6 | Form of Unit Option Agreement (Three-Year “Cliff” Exercisability), effective January 1, 2016.* | 10-K | 001-15787 | 10.104 | February 25, 2016 | |
| 10.17.7 | Form of Unit Option Agreement under the MetLife International Unit Option Incentive Plan (effective February 23, 2011).* | 10-K | 001-15787 | 10.25 | March 1, 2017 | |
| 10.18.1 | Form of Restricted Stock Unit Agreement (Ratable Period of Restriction Ends in Thirds; Code Section | 8-K | 001-15787 | 10.3 | December 11, 2014 | |

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|---|---|---|---|---|---|
| | 162(m) Goals) under the 2015 SIC Plan.* | | | | |
| 10.18.2 | Form of Restricted Stock Unit Agreement (Three-Year "Cliff" Period of Restriction; No Code Section 162(m) Goals).* | 8-K | 001-15787 | 10.4 | December 11, 2014 |
| 10.18.3 | Form of Restricted Stock Unit Agreement (Ratable Period of Restriction Ends in Thirds; Code Section 162(m) Goals) under the 2015 SIC Plan, effective January 1, 2016.* | 10-K | 001-15787 | 10.97 | February 25, 2016 |
| 10.18.4 | Form of Restricted Stock Unit Agreement (Three-Year "Cliff" Period of Restriction; No Code Section 162(m) Goals), effective January 1, 2016.* | 10-K | 001-15787 | 10.98 | February 25, 2016 |
| 10.18.5 | Form of Restricted Stock Unit Agreement (Ratable Period of Restriction Ends in Thirds), effective February 27, 2018.* | 8-K | 001-15787 | 10.3 | February 20, 2018 |
| 10.18.6 | Form of Restricted Stock Unit Agreement (Three-Year "Cliff" Period of Restriction), effective February 27, 2018.* | 8-K | 001-15787 | 10.4 | February 20, 2018 |
| 10.19.1 | Form of Restricted Unit Agreement (effective February 11, 2013).* | 8-K | 001-15787 | 10.7 | February 15, 2013 |
| 10.19.2 | Form of Restricted Unit Agreement (Three-Year "Cliff" Period of Restriction; No Code 162(m) Goals) (effective February 11, 2013).* | 8-K | 001-15787 | 10.8 | February 15, 2013 |
| 10.19.3 | Form of Restricted Unit Agreement (Ratable Period of Restriction Ends in Thirds; Code Section 162(m) Goals).* | 8-K | 001-15787 | 10.5 | December 11, 2014 |

Table of Contents

| Exhibit No. | Description | Incorporated By Reference Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| 10.19.4 | Form of Restricted Unit Agreement (Three-Year “Cliff” Period of Restriction; No Code Section 162(m) Goals.* | 8-K | 001-15787 | 10.6 | December 11, 2014 | |
| 10.19.5 | Form of Restricted Unit Agreement (Ratable Period of Restriction Ends in Thirds; Code Section 162(m) Goals), effective January 1, 2016.* | 10-K | 001-15787 | 10.99 | February 25, 2016 | |
| 10.19.6 | Form of Restricted Unit Agreement (Three-Year “Cliff” Period of Restriction; No Code Section 162(m) Goals), effective January 1, 2016.* | 10-K | 001-15787 | 10.100 | February 25, 2016 | |
| 10.19.7 | Form of Restricted Unit Agreement (Ratable Period of Restriction Ends in Thirds), effective February 27, 2018.* | 8-K | 001-15787 | 10.5 | February 20, 2018 | |
| 10.19.8 | Form of Restricted Unit Agreement (Three-Year “Cliff” Period of Restriction), effective February 27, 2018.* | 8-K | 001-15787 | 10.6 | February 20, 2018 | |
| 10.20.1 | Form of Performance Share Agreement under the 2015 SIC Plan.* | 8-K | 001-15787 | 10.1 | December 11, 2014 | |
| 10.20.2 | Form of Performance Share Agreement under the 2015 SIC Plan, effective January 1, 2016.* | 10-K | 001-15787 | 10.95 | February 25, 2016 | |
| 10.20.3 | Form of Performance Share Agreement, effective February 27, 2018.* | 8-K | 001-15787 | 10.1 | February 20, 2018 | |
| 10.20.4 | Form of Performance Share Agreement, effective January 1, 2019. * | 8-K | 001-15787 | 10.1 | December 13, 2018 | |
| 10.21.1 | Form of Performance Unit Agreement (effective February 11, 2013).* | 8-K | 001-15787 | 10.3 | February 15, 2013 | |
| 10.21.2 | Form of Performance Unit Agreement under the 2015 SIC Plan.* | 8-K | 001-15787 | 10.2 | December 11, 2014 | |
| 10.21.3 | Form of Performance Unit Agreement under the 2015 SIC Plan, effective January 1, 2016.* | 10-K | 001-15787 | 10.96 | February 25, 2016 | |
| 10.21.4 | Form of Performance Unit Agreement, effective February 27, 2018.* | 8-K | 001-15787 | 10.2 | February 20, 2018 | |
| 10.21.5 | Form of Performance Unit Agreement, effective January 1, 2019. * | 8-K | 001-15787 | 10.2 | December 13, 2018 | |

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|---|---|---|---|---|---|
| 10.22.1 | Award Agreement Supplement, effective January 1, 2016.* | 10-K | 001-15787 | 10.105 | February 25, 2016 |
| 10.22.2 | Award Agreement Supplement, effective February 27, 2018.* | 8-K | 001-15787 | 10.7 | February 20, 2018 |
| 10.23.1 | MetLife Auxiliary Pension Plan, dated December 21, 2007 (amending and restating Part I thereof, effective January 1, 2008).* | 10-K | 001-15787 | 10.95 | February 27, 2013 |
| 10.23.2 | Amendment #1 to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008), dated October 24, 2008 (effective October 1, 2008).* | 10-K | 001-15787 | 10.98 | February 27, 2014 |
| 10.23.3 | Amendment Number Two to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008), dated December 12, 2008 (effective December 31, 2008).* | 10-K | 001-15787 | 10.99 | February 27, 2014 |
| 10.23.4 | Amendment Number Three to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008) dated March 25, 2009 (effective January 1, 2009).* | 10-K | 001-15787 | 10.71 | February 25, 2016 |
| 10.23.5 | Amendment Number Four to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008), dated December 16, 2009 (effective January 1, 2010).* | 10-K | 001-15787 | 10.102 | February 27, 2015 |
| 10.23.6 | Amendment Number Five to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008), dated December 21, 2010 (effective January 1, 2010).* | 10-K | 001-15787 | 10.73 | February 25, 2016 |

| Exhibit No. | Description | Incorporated By Reference Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| 10.23.7 | Amendment Number Six to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008), dated December 20, 2012 (effective January 1, 2012).* | 10-K | 001-15787 | 10.101 | February 27, 2013 | |
| 10.23.8 | MetLife Auxiliary Pension Plan, dated August 7, 2006 (as amended and restated, effective June 30, 2006).* | 10-K | 001-15787 | 10.60 | March 1, 2017 | |
| 10.23.9 | MetLife Auxiliary Pension Plan, dated December 21, 2006 (amending and restating Part I thereof, effective January 1, 2007).* | 10-K | 001-15787 | 10.61 | March 1, 2017 | |
| 10.23.10 | Amendment Number Seven to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008), dated December 27, 2013 (effective December 10, 2013).* | 10-K | 001-15787 | 10.69 | March 1, 2017 | |
| 10.23.11 | Amendment Number 6 to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008), dated March 5, 2018 (effective March 15, 2018).* | 10-Q | 001-15787 | 10.9 | May 8, 2018 | |
| 10.23.12 | Amendment Number 8 to the MetLife Auxiliary Retirement Plan (as amended and restated, effective January 1, 2008, formerly referred to as the “MetLife Auxiliary Pension Plan” until March 15, 2018), dated September 4, 2018 (effective March 15, 2018).* | 10-Q | 001-15787 | 10.2 | November 8, 2018 | |
| 10.23.13 | Amendment Number Nine to the MetLife Auxiliary Retirement Plan (as amended and restated, effective January 1, 2008), dated September 26, 2018 (effective January 1, 2023).* | 10-Q | 001-15787 | 10.3 | November 8, 2018 | |
| 10.24.1 | Alico Overseas Pension Plan, dated January 2009.* | 10-K | 001-15787 | 10.70 | March 1, 2017 | |
| 10.24.2 | Amendment Number One to the Alico Overseas Pension Plan (effective November 1, 2010), dated December 20, 2010.* | 10-K | 001-15787 | 10.71 | March 1, 2017 | |
| 10.24.3 | Amendment Number Two to the Alico Overseas Pension Plan (effective as of November 1, 2011), dated December 13, 2011.* | 10-K | 001-15787 | 10.72 | March 1, 2017 | |

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| 10.24.4 | Amendment Number Three to the Alico Overseas Pension Plan, dated May 1, 2012 (effective January 1, 2012).* | 8-K | 001-15787 | 10.1 | May 4, 2012 |
| 10.24.5 | Amendment Number Four to the Alico Overseas Pension Plan, dated June 19, 2017, effective July 1, 2017.* | 10-Q | 001-15787 | 10.6 | November 6, 2017 |
| 10.25 | MetLife Deferred Compensation Plan For Globally Mobile Employees, effective July 31, 2014, for which Michel Khalaf became eligible July 1, 2017.* | 10-Q | 001-15787 | 10.4 | November 6, 2017 |
| 10.26.1 | Metropolitan Life Auxiliary Savings and Investment Plan (Amended and Restated Effective January 1, 2008).* | 10-K | 001-15787 | 10.72 | February 27, 2013 |
| 10.26.2 | Amendment 1 to the Metropolitan Life Auxiliary Savings and Investment Plan (Amended and Restated, Effective January 1, 2008).* | 10-K | 001-15787 | 10.74 | February 27, 2015 |
| 10.26.3 | Amendment Number 2 to the Metropolitan Life Auxiliary Savings and Investment Plan (Amended and Restated Effective January 1, 2008).* | 10-K | 001-15787 | 10.48 | February 25, 2016 |
| 10.26.4 | Amendment Number 3 to the Metropolitan Life Auxiliary Savings and Investment Plan (Amended and Restated Effective January 1, 2008).* | 10-K | 001-15787 | 10.75 | February 27, 2013 |
| 10.26.5 | Amendment Number 4 to the Metropolitan Life Auxiliary Savings and Investment Plan (Amended and Restated Effective January 1, 2008).* | 10-K | 001-15787 | 10.77 | February 27, 2014 |
| 10.26.6 | Amendment Number 5 to the Metropolitan Life Auxiliary Savings and Investment Plan (Amended and Restated Effective January 1, 2008).* | 10-Q | 001-15787 | 10.8 | May 8, 2018 |
| 10.27.1 | MetLife Individual Distribution Sales Deferred Compensation Plan, effective January 1, 2010.* | S-8 | 333-198143 | 4.1 | August 14, 2014 |

Table of Contents

| Exhibit No. | Description | Incorporated By Reference Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| 10.27.2 | Amendment Number One to the MetLife Individual Distribution Sales Deferred Compensation Plan, effective January 1, 2010.* | S-8 | 333-198143 | 4.2 | August 14, 2014 | |
| 10.27.3 | Amendment Number Two to the MetLife Individual Distribution Sales Deferred Compensation Plan, effective January 1, 2011.* | S-8 | 333-198143 | 4.3 | August 14, 2014 | |
| 10.27.4 | Amendment Number Three to the MetLife Individual Distribution Sales Deferred Compensation Plan, effective January 1, 2013.* | S-8 | 333-198143 | 4.4 | August 14, 2014 | |
| 10.27.5 | Amendment Number Four to the MetLife Individual Distribution Sales Deferred Compensation Plan, effective January 1, 2014.* | S-8 | 333-198143 | 4.5 | August 14, 2014 | |
| 10.27.6 | Amendment Number Five to the MetLife Individual Distribution Sales Deferred Compensation Plan, effective June 1, 2014.* | S-8 | 333-198143 | 4.6 | August 14, 2014 | |
| 10.28.1 | MetLife Deferred Compensation Plan for Officers, as amended and restated, effective November 1, 2003.* | 10-K | 001-15787 | 10.78 | February 27, 2014 | |
| 10.28.2 | Amendment Number One to the MetLife Deferred Compensation Plan for Officers (as amended and restated as of November 1, 2003), dated May 4, 2005.* | 10-K | 001-15787 | 10.52 | February 25, 2016 | |
| 10.28.3 | Amendment Number Two to the MetLife Deferred Compensation Plan for Officers (as amended and restated as of November 1, 2003, effective December 14, 2005).* | 10-K | 001-15787 | 10.53 | February 25, 2016 | |
| 10.28.4 | Amendment Number Three to the MetLife Deferred Compensation Plan for Officers (as amended and restated as of November 1, 2003, effective February 26, 2007).* | 10-K | 001-15787 | 10.45 | March 1, 2017 | |
| 10.29.1 | MetLife Leadership Deferred Compensation Plan, dated November 2, 2006 (as amended and restated, effective with respect to salary and cash incentive compensation, January 1, 2005, and with respect to stock compensation, April 15, 2005).* | 10-K | 001-15787 | 10.46 | March 1, 2017 | |
| 10.29.2 | | 10-K | 001-15787 | 10.81 | | |

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|---|---|---|---|---|---|
| | Amendment Number One to the MetLife Leadership Deferred Compensation Plan, dated December 13, 2007 (effective as of December 31, 2007).* | | | | February 27, 2013 |
| 10.29.3 | Amendment Number Two to the MetLife Leadership Deferred Compensation Plan, dated December 11, 2008 (effective December 31, 2008).* | 10-K | 001-15787 | 10.84 | February 27, 2014 |
| 10.29.4 | Amendment Number Three to the MetLife Leadership Deferred Compensation Plan, dated December 11, 2009 (effective January 1, 2010).* | 10-K | 001-15787 | 10.85 | February 27, 2015 |
| 10.29.5 | Amendment Number Four to the MetLife Leadership Deferred Compensation Plan, dated December 11, 2009 (effective December 31, 2009).* | 10-K | 001-15787 | 10.86 | February 27, 2015 |
| 10.29.6 | Amendment Number Five to the MetLife Leadership Deferred Compensation Plan, dated December 11, 2009 (effective January 1, 2011).* | 10-K | 001-15787 | 10.60 | February 25, 2016 |
| 10.29.7 | Amendment Number Six to the MetLife Leadership Deferred Compensation Plan, dated December 27, 2011 (effective January 1, 2011).* | 10-K | 001-15787 | 10.52 | March 1, 2017 |
| 10.29.8 | Amendment Number Seven to the MetLife Leadership Deferred Compensation Plan, dated December 26, 2012 (effective January 1, 2013).* | 10-K | 001-15787 | 10.53 | March 1, 2017 |
| 10.29.9 | Amendment Number Eight to the MetLife Leadership Deferred Compensation Plan, dated December 17, 2013 (effective January 1, 2014).* | 10-K | 001-15787 | 10.54 | March 1, 2017 |
| 10.29.10 | Amendment Number Nine to the MetLife Leadership Deferred Compensation Plan, dated December 30, 2014 (effective January 1, 2015).* | 10-K | 001-15787 | 10.88 | February 27, 2015 |

Table of Contents

| Exhibit No. | Description | Incorporated By Reference Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| 10.29.11 | Amendment Number Ten to the MetLife Leadership Deferred Compensation Plan, dated September 30, 2016 (effective October 1, 2016).* | 10-K | 001-15787 | 10.56 | March 1, 2017 | |
| 10.29.12 | Amendment Number Eleven to the MetLife Leadership Deferred Compensation Plan, dated September 30, 2016 (effective October 1, 2016).* | 10-K | 001-15787 | 10.57 | March 1, 2017 | |
| 10.29.13 | Amendment Number Twelve to the MetLife Leadership Deferred Compensation Plan, dated December 19, 2017 (effective January 1, 2017 and April 1, 2017).* | | | | | X |
| 10.29.14 | Amendment Number Thirteen to the MetLife Leadership Deferred Compensation Plan, dated December 4, 2018 (effective January 1, 2019).* | | | | | X |
| 10.30 | Member's Explanatory Handbook for the Metropolitan Life Insurance Company of Hong Kong Limited Healthcare Plan (2014).* | 10-K | 001-15787 | 10.79 | February 25, 2016 | |
| 10.31.1 | MetLife Plan for Transition Assistance for Officers, dated April 21, 2014 (as amended and restated, effective April 1, 2014 (the "MPTA")).* | 10-Q | 001-15787 | 10.2 | August 8, 2014 | |
| 10.31.2 | Amendment Number One to the MPTA, dated December 30, 2014 (effective January 1, 2015).* | 10-K | 001-15787 | 10.111 | February 27, 2015 | |
| 10.31.3 | Amendment Number Two to the MPTA, dated March 30, 2016 (effective April 1, 2016).* | 10-K | 001-15787 | 10.77 | March 1, 2017 | |
| 10.31.4 | Amendment Number Three to the MPTA, dated June 30, 2016 (effective June 30, 2016).* | 10-K | 001-15787 | 10.78 | March 1, 2017 | |
| 10.31.5 | Amendment Number Four to the MPTA, dated October 24, 2016 (effective October 31, 2016).* | 10-K | 001-15787 | 10.79 | March 1, 2017 | |
| 10.31.6 | Amendment Number Five to the MPTA, dated November 3, 2016 (effective October 1, 2016).* | 10-K | 001-15787 | 10.80 | March 1, 2017 | |
| 10.31.7 | Amendment Number Six to the MPTA, dated July 20, 2017 (effective July 1, 2017).* | | | | | X |
| 10.31.8 | Amendment Number Seven to the MPTA, dated May 1, 2018 (effective May 1, 2018).* | | | | | X |

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|---|---|---|---|---|---|---|
| 10.31.9 | Amendment Number Eight to the MPTA, dated September 6, 2018 (effective October 1, 2018).* | | | | | X |
| 10.31.10 | Amendment Number Nine to the MPTA, dated November 15, 2018 (effective October 15, 2018).* | | | | | X |
| 10.31.11 | Amendment Number Ten to the MPTA, dated November 15, 2018 (effective October 15, 2018).* | | | | | X |
| 10.32 | Separation Agreement, Waiver and General Release, dated July 30, 2015, between MetLife Group, Inc. and William J. Wheeler.* | 10-Q | 001-15787 | 10.1 | November 5, 2015 | |
| 10.33.1 | Adjustment of certain compensation terms for Michel Khalaf, effective July 1, 2012.* | 10-Q | 001-15787 | 10.2 | November 7, 2012 | |
| 10.33.2 | Tax Equalization Agreement dated June 10, 2015 between MetLife, Inc. and Michel Khalaf.* | 10-Q | 001-15787 | 10.1 | August 6, 2015 | |
| 10.33.3 | Offer Letter, dated March 25, 2009, between American Life Insurance Company and Michel Khalaf.* | 10-K | 001-15787 | 10.2 | March 1, 2017 | |
| 10.33.4 | Letter of Understanding, dated June 15, 2017, effective July 1, 2017, with Michel Khalaf.* | 10-Q | 001-15787 | 10.3 | November 6, 2017 | |
| 10.33.5 | MetLife, Inc. and Metropolitan Life Insurance Company Compensation Committee and Board of Directors Resolutions of June 13, 2017 approving Michel Khalaf's eligibility to participate in the MetLife Deferred Compensation Plan For Globally Mobile Employees.* | 10-Q | 001-15787 | 10.5 | November 6, 2017 | |

Table of Contents

| Exhibit No. | Description | Incorporated By Reference Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| 10.34.1 | Employment Agreement between Christopher G. Townsend and MetLife Asia Pacific Limited, dated May 11, 2012.* | 8-K | 001-15787 | 10.1 | May 16, 2012 | |
| 10.34.2 | Letter Agreement dated June 11, 2015 between MetLife, Inc. and Christopher Townsend.* | 8-K | 001-15787 | 10.1 | June 15, 2015 | |
| 10.34.3 | Letter Agreement entered December 15, 2017 between MetLife, Inc. and Christopher Townsend.* | 8-K | 001-15787 | 10.1 | November 21, 2017 | |
| 10.35 | Sign-on Payments Letter, dated May 24, 2017, effective July 10, 2017, between MetLife Group, Inc. and Susan Podlogar.* | 10-Q | 001-15787 | 10.1 | November 6, 2017 | |
| 10.36 | Sign-on Payments Letter, dated June 14, 2017, effective September 11, 2017, between MetLife Group, Inc. and Ramy Tadros.* | 10-Q | 001-15787 | 10.2 | November 6, 2017 | |
| 10.37 | Separation Agreement, Waiver, And General Release, effective October 4, 2017, between MetLife Group, Inc. and Maria Morris* | 10-K | 001-15787 | 10.123 | March 1, 2018 | |
| 10.38 | Separation Agreement and General Release, effective June 12, 2018, between MetLife, Inc. and MetLife Group, Inc. and John C. R. Hele.* | 8-K | 001-15787 | 10.1 | June 18, 2018 | |
| 10.39.1 | Executive Deferred Compensation Plan for Oscar Schmidt, effective July 1, 2009.* | 10-Q | 001-15787 | 10.3 | August 7, 2018 | |
| 10.39.2 | Amendment Number One to the Executive Deferred Compensation Plan for Oscar Schmidt (effective July 1, 2009).* | 10-Q | 001-15787 | 10.4 | August 7, 2018 | |
| 10.39.3 | Amendment Number Two to the Executive Deferred Compensation Plan for Oscar Schmidt (effective July 1, 2009).* | 10-Q | 001-15787 | 10.5 | August 7, 2018 | |
| 10.39.4 | Amendment Number Three to the Executive Deferred Compensation Plan for Oscar Schmidt (effective July 1, 2009).* | 10-Q | 001-15787 | 10.6 | August 7, 2018 | |
| 10.39.5 | Settlement Agreement & General Release, dated November 19, 2013, between MetLife Group, Inc. and Oscar Schmidt.* | 10-Q | 001-15787 | 10.7 | August 7, 2018 | |

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|---|---|---|---|---|---|---|
| 10.39.6 | Letter Agreement, dated April 25, 2018, between MetLife Inc. and Oscar Schmidt.* | 10-Q | 001-15787 | 10.8 | August 7, 2018 | |
| 10.39.7 | General Release And Waiver, dated April 27, 2018, between MetLife Group, Inc. and Oscar Schmidt.* | 10-Q | 001-15787 | 10.9 | August 7, 2018 | |
| 10.40 | Letter Agreement entered May 4, 2018 between MetLife, Inc. and John McCallion.* | 8-K | 001-15787 | 10.1 | May 7, 2018 | |
| 10.41 | Letter of Understanding, dated August 23, 2018, effective September 1, 2018, with Kishore Ponnavolu.* | 10-Q | 001-15787 | 10.1 | November 8, 2018 | |
| 21.1 | Subsidiaries of the Registrant. | | | | | X |
| 23.1 | Consent of Deloitte & Touche LLP. | | | | | X |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 101.INS | XBRL Instance Document | | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | | | | X |

Table of Contents

| Exhibit No. | Description | Incorporated By Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Form | File Number | Exhibit | Filing Date | |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | | | | | X |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | | | | | X |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | | | | X |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | | | | | X |

* Indicates management contracts or compensatory plans or arrangements.

Table of Contents

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

February 21, 2019

METLIFE, INC.

By /s/ Steven A. Kandarian

Name: Steven A. Kandarian
Title: Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Cheryl W. Grisé<br>Cheryl W. Grisé | Director | February 21, 2019 |
| /s/ Carlos M. Gutierrez<br>Carlos M. Gutierrez | Director | February 21, 2019 |
| /s/ Gerald L. Hassell<br>Gerald L. Hassell | Director | February 21, 2019 |
| /s/ David L. Herzog<br>David L. Herzog | Director | February 21, 2019 |
| /s/ R. Glenn Hubbard<br>R. Glenn Hubbard | Director | February 21, 2019 |
| /s/ Edward J. Kelly, III<br>Edward J. Kelly, III | Director | February 21, 2019 |
| /s/ William E. Kennard<br>William E. Kennard | Director | February 21, 2019 |
| /s/ James M. Kilts<br>James M. Kilts | Director | February 21, 2019 |
| /s/ Catherine R. Kinney | Director | February 21, 2019 |

Catherine R. Kinney

| | | |
|---|---|---|
| /s/ Diana McKenzie | Director | February 21, 2019 |
| Diana McKenzie | | |
| /s/ Denise M. Morrison | Director | February 21, 2019 |
| Denise M. Morrison | | |

384

Table of Contents

| Signature | Title | Date |
|---|---|---|
| /s/ Steven A. Kandarian<br>Steven A. Kandarian | Chairman of the Board, President and<br>Chief Executive Officer<br>(Principal Executive Officer) | February 21, 2019 |
| /s/ John D. McCallion<br>John D. McCallion | Executive Vice President and<br>Chief Financial Officer<br>(Principal Financial Officer) | February 21, 2019 |
| /s/ William C. O'Donnell<br>William C. O'Donnell | Executive Vice President and<br>Chief Accounting Officer<br>(Principal Accounting Officer) | February 21, 2019 |