METLIFE INC
Form 10-Q
May 08, 2015

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

Form 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
Commission file number: 001-15787

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

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

(212) 578-9500
(Registrant's telephone number, including area code)

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

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

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

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

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

At April 30, 2015, 1,115,818,705 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

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As used in this Form 10 Q, “MetLife,” the “Company,” “we,” “our” and “us” refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates.

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10 Q, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.’s filings with the U.S. Securities and Exchange Commission. These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the capital and credit markets, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets, including assets supporting risks ceded to certain of our captive reinsurers or hedging arrangements associated with those risks; (3) exposure to financial and capital market risks, including as a result of the disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (4) impact of comprehensive financial services regulation reform on us, as a non-bank systemically important financial institution, or otherwise; (5) numerous rulemaking initiatives required or permitted by the Dodd-Frank Wall Street Reform and Consumer Protection Act which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (6) regulatory, legislative or tax changes relating to our insurance, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (7) adverse results or other consequences from litigation, arbitration or regulatory investigations; (8) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (9) investment losses and defaults, and changes to investment valuations; (10) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (11) impairments of goodwill and realized losses or market value impairments to illiquid assets; (12) defaults on our mortgage loans; (13) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (14) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (15) downgrades in our claims paying ability, financial strength or credit ratings; (16) a deterioration in the experience of the “closed block” established in connection with the reorganization of Metropolitan Life Insurance Company; (17) availability and effectiveness of reinsurance or indemnification arrangements, as well as any default or failure of counterparties to perform; (18) differences between actual claims experience and underwriting and reserving assumptions; (19) ineffectiveness of risk management policies and procedures; (20) catastrophe losses; (21) increasing cost and limited market capacity for statutory life insurance reserve financings; (22) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, and for personnel; (23) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets, reduced interest rates, unanticipated policyholder behavior, mortality or longevity, and the adjustment for nonperformance risk; (24) our ability to address difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from business acquisitions, including our acquisition of American Life Insurance Company and Delaware American Life Insurance Company, and integrating and managing the growth of such acquired businesses, or arising from dispositions of businesses or legal entity reorganizations; (25) regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (26) MetLife, Inc.'s primary reliance, as a holding company, on dividends from its subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (27) the possibility that MetLife, Inc.'s Board of Directors may influence the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (28) changes in accounting standards, practices and/or policies; (29) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (30) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (31) inability to attract and retain sales representatives; (32) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (33) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (34) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (35) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission.

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

Corporate Information

We announce financial and other information about MetLife to our investors through the MetLife Investor Relations web page at www.metlife.com, as well as U.S. Securities and Exchange Commission ("SEC") filings, press releases, public conference calls and webcasts. MetLife encourages investors to visit the Investor Relations web page from time to time, as information is updated and new information is posted. The information found on our website is not incorporated by reference into this Quarterly Report on Form 10-Q or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

Note Regarding Reliance on Statements in Our Contracts

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

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MetLife, Inc.
Interim Condensed Consolidated Balance Sheets
March 31, 2015 (Unaudited) and December 31, 2014
(In millions, except share and per share data)

Part I — Financial Information
Item 1. Financial Statements

	March 31, 2015	December 31, 2014
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $332,909 and $334,780, respectively; includes $4,326 and $4,266, respectively, relating to variable interest entities)	$366,275	$ 365,425
Equity securities available-for-sale, at estimated fair value (cost: $3,133 and $3,076, respectively)	3,713	3,631
Fair value option and trading securities, at estimated fair value (includes $714 and $704, respectively, of actively traded securities; and $56 and $60, respectively, relating to variable interest entities)	16,471	16,689
Mortgage loans (net of valuation allowances of $315 and $305, respectively; includes $272 and $280, respectively, at estimated fair value, relating to variable interest entities; includes $329 and $308, respectively, under the fair value option)	62,409	60,118
Policy loans (includes $3 and $3, respectively, relating to variable interest entities)	11,606	11,618
Real estate and real estate joint ventures (includes $8 and $8, respectively, relating to variable interest entities, includes $56 and $172, respectively, of real estate held-for-sale)	10,310	10,525
Other limited partnership interests (includes $34 and $34, respectively, relating to variable interest entities)	8,074	8,085
Short-term investments, principally at estimated fair value (includes $24 and $20, respectively, relating to variable interest entities)	14,130	8,621
Other invested assets, principally at estimated fair value (includes $70 and $56, respectively, relating to variable interest entities)	23,763	21,283
Total investments	516,751	505,995
Cash and cash equivalents, principally at estimated fair value (includes $54 and $57, respectively, relating to variable interest entities)	8,127	10,808
Accrued investment income (includes $26 and $21, respectively, relating to variable interest entities)	4,298	4,120
Premiums, reinsurance and other receivables (includes $29 and $21, respectively, relating to variable interest entities)	24,190	22,244
Deferred policy acquisition costs and value of business acquired (includes $246 and $235, respectively, relating to variable interest entities)	24,003	24,442
Goodwill	9,717	9,872
Other assets (includes $136 and $134, respectively, relating to variable interest entities)	7,980	7,862
Separate account assets (includes $1,167 and $1,128, respectively, relating to variable interest entities)	324,724	316,994
Total assets	$919,790	$ 902,337
Liabilities and Equity		
Liabilities		
Future policy benefits (includes $636 and $579, respectively, relating to variable interest entities)	$191,217	$ 189,586
	206,591	209,294

Policyholder account balances (includes $34 and $33, respectively, relating to variable interest entities)		
Other policy-related balances (includes $220 and $198, respectively, relating to variable interest entities)	14,586	14,422
Policyholder dividends payable	677	684
Policyholder dividend obligation	3,483	3,155
Payables for collateral under securities loaned and other transactions	37,312	35,326
Short-term debt	100	100
Long-term debt (includes $143 and $151, respectively, at estimated fair value, relating to variable interest entities)	17,714	16,286
Collateral financing arrangements	4,196	4,196
Junior subordinated debt securities	3,193	3,193
Current income tax payable	243	184
Deferred income tax liability	13,305	11,821
Other liabilities (includes $100 and $80, respectively, relating to variable interest entities)	28,040	24,437
Separate account liabilities (includes $1,167 and $1,128, respectively, relating to variable interest entities)	324,724	316,994
Total liabilities	845,381	829,678
Contingencies, Commitments and Guarantees (Note 13)		
Redeemable noncontrolling interests in partially-owned consolidated subsidiaries	95	99
Equity		
MetLife, Inc.'s stockholders' equity:		
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized: 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference	1	1
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,156,311,419 and 1,153,998,144 shares issued, respectively; 1,114,347,885 and 1,131,927,894 shares outstanding, respectively	12	12
Additional paid-in capital	30,632	30,543
Retained earnings	33,754	32,020
Treasury stock, at cost; 41,963,534 and 22,070,250 shares, respectively	(2,158)	(1,172)
Accumulated other comprehensive income (loss)	11,529	10,649
Total MetLife, Inc.'s stockholders' equity	73,770	72,053
Noncontrolling interests	544	507
Total equity	74,314	72,560
Total liabilities and equity	$919,790	$ 902,337

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months Ended March 31, 2015 and 2014 (Unaudited)
(In millions, except per share data)

	Three Months Ended March 31, 2015	2014
Revenues		
Premiums	$9,253	$9,219
Universal life and investment-type product policy fees	2,394	2,421
Net investment income	5,461	5,035
Other revenues	495	478
Net investment gains (losses):		
Other-than-temporary impairments on fixed maturity securities	(8)	(14)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(10)	4
Other net investment gains (losses)	304	(401)
Total net investment gains (losses)	286	(411)
Net derivative gains (losses)	821	343
Total revenues	18,710	17,085
Expenses		
Policyholder benefits and claims	9,257	9,324
Interest credited to policyholder account balances	1,995	1,469
Policyholder dividends	339	303
Other expenses	4,060	4,163
Total expenses	15,651	15,259
Income (loss) from continuing operations before provision for income tax	3,059	1,826
Provision for income tax expense (benefit)	896	484
Income (loss) from continuing operations, net of income tax	2,163	1,342
Income (loss) from discontinued operations, net of income tax	—	(3)
Net income (loss)	2,163	1,339
Less: Net income (loss) attributable to noncontrolling interests	5	11
Net income (loss) attributable to MetLife, Inc.	2,158	1,328
Less: Preferred stock dividends	30	30
Net income (loss) available to MetLife, Inc.'s common shareholders	$2,128	$1,298
Comprehensive income (loss)	$3,101	$4,482
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	63	43
Comprehensive income (loss) attributable to MetLife, Inc.	$3,038	$4,439
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share:		
Basic	$1.89	$1.15
Diluted	$1.87	$1.14
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:		
Basic	$1.89	$1.15
Diluted	$1.87	$1.14
Cash dividends declared per common share	$0.350	$0.275

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Equity
For the Three Months Ended March 31, 2015 and 2014 (Unaudited)
(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 (1)	Total Equity
Balance at December 31, 2014	$ 1	$ 12	$ 30,543	$ 32,020	$ (1,172)	$ 10,649	$ 72,053	$ 507	$ 72,560
Treasury stock acquired in connection with share repurchases					(986)		(986)		(986)
Stock-based compensation			89				89		89
Dividends on preferred stock				(30)			(30)		(30)
Dividends on common stock				(394)			(394)		(394)
Change in equity of noncontrolling interests							—	(26)	(26)
Net income (loss)				2,158			2,158	5	2,163
Other comprehensive income (loss), net of income tax						880	880	58	938
Balance at March 31, 2015	$ 1	$ 12	$ 30,632	$ 33,754	$ (2,158)	$ 11,529	$ 73,770	$ 544	$ 74,314

	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 (1)	Total Equity
Balance at December 31, 2013	$ 1	$ 11	$ 29,277	$ 27,332	$ (172)	$ 5,104	$ 61,553	$ 543	$ 62,096
Stock-based compensation			107				107		107
Dividends on preferred stock				(30)			(30)		(30)
Dividends on common stock				(311)			(311)		(311)
Change in equity of noncontrolling interests							—	(12)	(12)
Net income (loss)				1,328			1,328	11	1,339
						3,111	3,111	32	3,143

Other comprehensive income (loss), net of income tax									
Balance at March 31, 2014	$ 1	$ 11	$ 29,384	$ 28,319	$ (172)	$ 8,215	$ 65,758	$ 574	$ 66,332

(1) Net income (loss) attributable to noncontrolling interests excludes gains of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of less than $1 million at both March 31, 2015 and 2014.

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2015 and 2014 (Unaudited)
(In millions)

	Three Months Ended March 31,	
	2015	2014
Net cash provided by (used in) operating activities	$2,686	$2,484
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	35,647	27,904
Equity securities	58	72
Mortgage loans	2,719	2,973
Real estate and real estate joint ventures	280	260
Other limited partnership interests	279	220
Purchases of:		
Fixed maturity securities	(33,305)	(24,954)
Equity securities	(107)	(209)
Mortgage loans	(5,559)	(2,483)
Real estate and real estate joint ventures	(140)	(578)
Other limited partnership interests	(275)	(485)
Cash received in connection with freestanding derivatives	947	395
Cash paid in connection with freestanding derivatives	(1,494)	(1,045)
Cash received under repurchase agreements (Note 5)	199	—
Cash paid under reverse repurchase agreements (Note 5)	(199)	—
Net change in policy loans	(7)	(2)
Net change in short-term investments	(5,690)	47
Net change in other invested assets	(167)	115
Other, net	(86)	(66)
Net cash provided by (used in) investing activities	(6,900)	2,164
Cash flows from financing activities		
Policyholder account balances:		
Deposits	22,463	19,004
Withdrawals	(22,736)	(22,628)
Net change in payables for collateral under securities loaned and other transactions	1,985	2,058
Net change in short-term debt	—	(75)
Long-term debt issued	1,492	—
Long-term debt repaid	(7)	(1,460)
Treasury stock acquired in connection with share repurchases	(986)	—
Dividends on preferred stock	(30)	(30)
Dividends on common stock	(394)	(311)
Other, net	(64)	(217)
Net cash provided by (used in) financing activities	1,723	(3,659)
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(190)	(1)
Change in cash and cash equivalents	(2,681)	988
Cash and cash equivalents, beginning of period	10,808	7,585
Cash and cash equivalents, end of period	$8,127	$8,573

Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$214	$245
Income tax	$147	$97
Non-cash transactions:		
Deconsolidation of MetLife Core Property Fund:		
Reduction of redeemable noncontrolling interests	$—	$774
Reduction of long-term debt	$—	$413
Reduction of real estate and real estate joint ventures	$—	$1,132

See accompanying notes to the interim condensed consolidated financial statements.

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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 a global provider of life insurance, annuities, employee benefits and asset management. MetLife is organized into six segments: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the "Americas"); Asia; and Europe, the Middle East and Africa ("EMEA").

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the interim condensed 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 estimates.

The accompanying interim condensed 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.

Certain international subsidiaries have a fiscal year cutoff of November 30th. Accordingly, the Company's interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of February 28, 2015 and November 30, 2014 and the operating results of such subsidiaries for the three months ended February 28, 2015 and 2014.

The Company uses the equity method of accounting for equity securities when it has significant influence or at least 20% interest and for real estate joint ventures and other limited partnership interests ("investees") when it has more than a minor ownership interest or more than a minor influence over the investee's operations, but does not have a controlling financial interest. The Company generally recognizes its share of the investee's earnings 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 uses the cost method of accounting for investments in which it has virtually no influence over the investee's operations.

Certain amounts in the prior year periods' interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2015 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2014 consolidated balance sheet data was derived from audited consolidated financial statements included in MetLife, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2014 (the "2014 Annual Report"), which include all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2014 Annual Report.

Adoption of New Accounting Pronouncements

Effective January 1, 2015, the Company adopted guidance requiring repurchase-to-maturity transactions and repurchase financing arrangements to be accounted for as secured borrowings and providing for enhanced disclosures, including the nature of collateral pledged and the time to maturity. Certain interim period disclosures for repurchase agreements and securities lending transactions are not required until the second quarter of 2015. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

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

Future Adoption of New Accounting Pronouncements
In May, 2015, the Financial Accounting Standards Board (“FASB”) issued new guidance on fair value measurement (Accounting Standards Update (“ASU”) 2015 07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and which should be applied retrospectively to all periods presented. Earlier application is permitted. The new amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (“NAV”) per share practical expedient. In addition, the amendments remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.
In April 2015, the FASB issued new guidance on accounting for fees paid in a cloud computing arrangement (ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the new guidance is permitted and an entity can elect to adopt the guidance either: (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively. The new guidance provides that all software licenses included in cloud computing arrangements be accounted for consistent with other licenses of intangible assets. However, if a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract, the accounting for which did not change. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.
In April 2015, the FASB issued new guidance on the presentation of debt issuance costs (ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and should be applied retrospectively to all periods presented. Early adoption of the new guidance is permitted for financial statements that have not been previously issued. The new guidance will require that debt issuance costs be presented in the balance sheet as a direct deduction from the related debt liability rather than as an asset, consistent with debt discounts. However, the current recognition and measurement guidance for debt issuance costs are not affected by the new guidance. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.
In February 2015, the FASB issued new guidance to improve consolidation guidance for legal entities (ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis), effective for fiscal years beginning after December 15, 2015 and interim periods within those years and early adoption is permitted. The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in this ASU affect the consolidation evaluation for reporting organizations. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.
In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014 09, Revenue from Contracts with Customers (Topic 606)), effective retrospectively for fiscal years beginning after December 15, 2016 and interim periods within those years. Early adoption of this standard is not permitted. The new guidance will supersede nearly all existing revenue recognition guidance under GAAP; however, it will not impact the accounting for insurance contracts, leases, financial instruments and guarantees. For those contracts that are impacted by the new guidance, the guidance will require 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. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.
2. Segment Information

MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and EMEA. In addition, the Company reports certain of its results of operations in Corporate & Other.

As anticipated, in the first quarter of 2015, the Company implemented certain segment reporting changes related to the (i) measurement of segment operating earnings, which included revising the Company’s capital allocation methodology, and (ii) the realignment of consumer direct business. These changes were applied retrospectively and did not have an impact on total consolidated operating earnings or net income.

Americas

The Americas consists of the following segments:

Retail

The Retail segment offers a broad range of protection products and services and a variety of annuities to individuals and employees of corporations and other institutions, and is organized into two businesses: Life & Other and Annuities. Life & Other insurance products and services include variable life, universal life, term life and whole life products. Additionally, through broker-dealer affiliates, the Company offers a full range of mutual funds and other securities products. Life & Other products and services also include individual disability income products and personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance. Annuities includes a variety of variable and fixed annuities which provide for both asset accumulation and asset distribution needs.

Group, Voluntary & Worksite Benefits

The Group, Voluntary & Worksite Benefits segment offers a broad range of protection products and services to individuals and corporations, as well as other institutions and their respective employees. Group, Voluntary & Worksite Benefits insurance products and services include life, dental, group short- and long-term disability and accidental death and dismemberment (“AD&D”) coverages. In addition, the Group, Voluntary & Worksite Benefits segment offers property & casualty insurance, including private passenger automobile, homeowners and personal excess liability, which is offered to employees on a voluntary basis, long-term care, critical illness and accident & health coverages, as well as prepaid legal plans.

Corporate Benefit Funding

The Corporate Benefit Funding segment offers a broad range of annuity and investment products, including guaranteed interest products and other stable value products, income annuities, and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This segment also includes structured settlements and certain products to fund postretirement benefits and company-, bank- or trust-owned life insurance used to finance non-qualified benefit programs for executives.

Latin America

The Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident & health insurance, group medical, dental, credit insurance, endowment and retirement & savings products written in Latin America. The Latin America segment also includes U.S. direct business, comprised of group and individual products sold through sponsoring organizations, affinity groups and direct to consumer. Products included are life, dental, group short- and long-term disability, AD&D coverages, property & casualty and other accident & health coverages, as well as non-insurance products such as identity protection.

Asia

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

EMEA

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

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
2. Segment Information (continued)

Corporate & Other
Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, including external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges, various start-up businesses (including expatriate benefits insurance and the investment management business through which the Company offers fee-based investment management services to institutional clients) and certain run-off businesses. Corporate & Other also includes assumed reinsurance of certain variable annuity products from the Company’s former operating joint venture in Japan. Under this in-force reinsurance agreement, the Company reinsures living and death benefit guarantees issued in connection with variable annuity products. Additionally, Corporate & Other includes interest expense related to the majority of the Company’s outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.
Financial Measures and Segment Accounting Policies
Operating earnings is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is the Company’s measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for income (loss) from continuing operations, net of income tax. The Company believes the presentation of operating 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.
Operating earnings is defined as operating revenues less operating expenses, both net of income tax.
Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife and are referred to as divested businesses. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.
The following additional adjustments are made to GAAP revenues, in the line items indicated, in calculating operating 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 guaranteed minimum income benefits (“GMIBs”) fees (“GMIB Fees”);
- Net investment income: (i) includes amounts for scheduled periodic settlement payments 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) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other revenues are adjusted for settlements of foreign currency earnings hedges.

The following additional adjustments are made to GAAP expenses, in the line items indicated, in calculating operating 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 scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;
- Amortization of deferred policy acquisition costs (“DAC”) and value of business acquired (“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 and integration costs.

Operating 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. In addition to the tax impact of the adjustments mentioned above, provision for income tax expense (benefit) also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

In the first quarter of 2015, the Company implemented certain segment reporting changes related to the (i) measurement of segment operating earnings, which included revising the Company’s capital allocation methodology, and (ii) the realignment of consumer direct business. Consequently, prior period results for the three months ended March 31, 2014 were impacted as follows:

- Retail’s operating earnings increased by $24 million, net of $44 million of income tax benefit;
- Group, Voluntary & Worksite Benefits’ operating earnings increased by $2 million, net of $1 million of income tax;
- Corporate Benefit Funding’s operating earnings decreased by $15 million, net of $8 million of income tax benefit;
- Latin America’s operating earnings decreased by $25 million, net of $16 million of income tax benefit;
- Asia’s operating earnings increased by $5 million, net of $1 million of income tax;
- EMEA’s operating earnings decreased by $17 million, net of $7 million of income tax benefit; and
- Corporate & Other’s operating earnings increased by $26 million, net of $73 million of income tax.

Set forth in the tables below is certain financial information with respect to the Company’s segments, as well as Corporate & Other, for the three months ended March 31, 2015 and 2014. The segment accounting policies are the same as those used to prepare the Company’s consolidated financial statements, except for operating 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, operating earnings or income (loss) from continuing operations, net of income tax.

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.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
2. Segment Information (continued)

Three Months Ended March 31, 2015	Operating Results Americas Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)										
Revenues											
Premiums	$1,749	$4,117	$418	$699	$6,983	$1,752	$508	$10	$9,253	$—	$9,253
Universal life and investment-type product policy fees	1,236	188	54	294	1,772	397	102	23	2,294	100	2,394
Net investment income	1,980	478	1,430	218	4,106	684	83	109	4,982	479	5,461
Other revenues	251	113	71	10	445	28	10	20	503	(8)	495
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	286	286
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	821	821
Total revenues	5,216	4,896	1,973	1,221	13,306	2,861	703	162	17,032	1,678	18,710
Expenses											
Policyholder benefits and claims and policyholder dividends	2,449	3,835	991	581	7,856	1,340	239	12	9,447	149	9,596
Interest credited to policyholder account balances	542	37	293	86	958	337	30	6	1,331	664	1,995
Capitalization of DAC	(247)	(36)	(6)	(111)	(400)	(435)	(133)	—	(968)	—	(968)
Amortization of DAC and VOBA	375	41	5	78	499	326	128	—	953	72	1,025
Amortization of negative VOBA	—	—	—	—	—	(86)	(4)	—	(90)	(10)	(100)
Interest expense on debt	(1)	—	1	—	—	—	—	297	297	1	298
Other expenses	1,176	664	124	425	2,389	904	362	145	3,800	5	3,805
Total expenses	4,294	4,541	1,408	1,059	11,302	2,386	622	460	14,770	881	15,651
Provision for income tax expense (benefit)	269	127	196	31	623	148	11	(188)	594	302	896
Operating earnings	$653	$228	$369	$131	$1,381	$327	$70	$(110)	1,668		
Adjustments to:											
Total revenues									1,678		
Total expenses									(881)		
Provision for income tax (expense) benefit									(302)		
Income (loss) from continuing operations, net of income tax									$2,163		$2,163

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
2. Segment Information (continued)

	Operating Results										
	Americas										
Three Months Ended March 31, 2014	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)										
Revenues											
Premiums	$1,724	$4,002	$301	$683	$6,710	$1,890	$597	$20	$9,217	$2	$9,219
Universal life and investment-type product policy fees	1,247	177	57	311	1,792	389	109	33	2,323	98	2,421
Net investment income	1,994	456	1,382	297	4,129	700	107	149	5,085	(50)	5,035
Other revenues	245	107	68	7	427	27	16	21	491	(13)	478
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(411)	(411)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	343	343
Total revenues	5,210	4,742	1,808	1,298	13,058	3,006	829	223	17,116	(31)	17,085
Expenses											
Policyholder benefits and claims and policyholder dividends	2,407	3,781	888	616	7,692	1,397	261	23	9,373	254	9,627
Interest credited to policyholder account balances	555	40	278	98	971	387	34	9	1,401	68	1,469
Capitalization of DAC	(234)	(34)	(1)	(107)	(376)	(494)	(176)	—	(1,046)	—	(1,046)
Amortization of DAC and VOBA	429	36	4	79	548	338	164	—	1,050	8	1,058
Amortization of negative VOBA	—	—	—	—	—	(94)	(9)	—	(103)	(12)	(115)
Interest expense on debt	—	—	2	—	2	—	—	292	294	18	312
Other expenses	1,142	628	115	436	2,321	991	464	175	3,951	3	3,954
Total expenses	4,299	4,451	1,286	1,122	11,158	2,525	738	499	14,920	339	15,259
Provision for income tax expense (benefit)	275	101	182	18	576	148	20	(140)	604	(120)	484
Operating earnings	$636	$190	$340	$158	$1,324	$333	$71	$(136)	1,592		
Adjustments to:											
Total revenues									(31)		
Total expenses									(339)		
Provision for income tax (expense) benefit									120		
Income (loss) from continuing operations, net of income tax									$1,342		$1,342

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
2. Segment Information (continued)

The following table presents total assets with respect to the Company's segments, as well as Corporate & Other, at:

	March 31, 2015	December 31, 2014
	(In millions)	
Retail	$363,783	$359,188
Group, Voluntary & Worksite Benefits	48,474	46,483
Corporate Benefit Funding	236,925	228,543
Latin America	72,074	72,259
Asia	116,278	117,894
EMEA	27,991	29,217
Corporate & Other	54,265	48,753
Total	$919,790	$902,337

3. Insurance
Guarantees
As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report, the Company issues variable annuity products with guaranteed minimum benefits. The non-life-contingent portion of guaranteed minimum withdrawal benefits ("GMWBs") and the portion of certain GMIBs that does not require annuitization are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 6.
The Company also issues two tier annuity contracts that apply a lower rate on funds deposited if the contractholder elects to surrender the contract for cash (the "lower tier") and a higher rate if the contractholder elects to annuitize (the "upper tier"). 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.
Based on the type of guarantee, the Company defines net amount at risk as listed below. These amounts include direct and assumed business, but exclude offsets from hedging or reinsurance, if any.
Variable Annuity Guarantees
In the Event of Death
Defined as the death benefit less the total contract 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.
At Annuitization
Defined as the amount (if any) that would be required to be added to the total contract 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.
Two Tier and Other Annuities
Two tier annuities are defined as the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date. Other annuities are defined as the amount (if any) that would be required to be added to the total contract 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.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
3. Insurance (continued)

Universal and Variable Life Contracts
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.
Information regarding the types of guarantees relating to annuity contracts and universal and variable life contracts was as follows at:

	March 31, 2015		December 31, 2014	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
Annuity Contracts (1)				
Variable Annuity Guarantees				
Total contract account value (2)	$197,400	$99,960	$196,595	$99,000
Separate account value	$165,322	$96,933	$163,566	$95,963
Net amount at risk (2)	$3,892	$1,996	$4,230	$1,770
Average attained age of contractholders	65 years	66 years	65 years	65 years
Two Tier and Other Annuities				
Account value	N/A	$939	N/A	$1,040
Net amount at risk	N/A	$301	N/A	$340
Average attained age of contractholders	N/A	50 years	N/A	50 years

	March 31, 2015		December 31, 2014	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(In millions)			
Universal and Variable Life Contracts (1)				
Account value (general and separate account)	$17,072	$3,556	$16,875	$3,587
Net amount at risk	$178,870	$19,980	$180,069	$20,344
Average attained age of policyholders	56 years	61 years	56 years	61 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 reinsurance of certain variable annuity products from the Company’s former operating joint venture in Japan.

4. 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.
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.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
4. Closed Block (continued)

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

	March 31, 2015	December 31, 2014
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$41,481	$41,667
Other policy-related balances	309	265
Policyholder dividends payable	479	461
Policyholder dividend obligation	3,483	3,155
Current income tax payable	3	1
Other liabilities	482	646
Total closed block liabilities	46,237	46,195
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	29,093	29,199
Equity securities available-for-sale, at estimated fair value	98	91
Mortgage loans	6,103	6,076
Policy loans	4,643	4,646
Real estate and real estate joint ventures	651	666
Other invested assets	1,123	1,065
Total investments	41,711	41,743
Cash and cash equivalents	323	227
Accrued investment income	483	477
Premiums, reinsurance and other receivables	78	67
Deferred income tax assets	277	289
Total assets designated to the closed block	42,872	42,803
Excess of closed block liabilities over assets designated to the closed block	3,365	3,392
Amounts included in accumulated other comprehensive income (loss) (“AOCI”)		
Unrealized investment gains (losses), net of income tax	2,441	2,291
Unrealized gains (losses) on derivatives, net of income tax	63	28
Allocated to policyholder dividend obligation, net of income tax	(2,264)	(2,051)
Total amounts included in AOCI	240	268
Maximum future earnings to be recognized from closed block assets and liabilities	$3,605	$3,660

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

	Three Months Ended March 31, 2015	Year Ended December 31, 2014
	(In millions)	
Balance, beginning of period	$3,155	$1,771
Change in unrealized investment and derivative gains (losses)	328	1,384
Balance, end of period	$3,483	$3,155

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
4. Closed Block (continued)

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

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Revenues		
Premiums	$430	$446
Net investment income	515	530
Net investment gains (losses)	(1)	—
Net derivative gains (losses)	25	(1)
Total revenues	969	975
Expenses		
Policyholder benefits and claims	608	624
Policyholder dividends	240	233
Other expenses	37	41
Total expenses	885	898
Revenues, net of expenses before provision for income tax expense (benefit)	84	77
Provision for income tax expense (benefit)	29	27
Revenues, net of expenses and provision for income tax expense (benefit)	$55	$50

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

5. Investments

Fixed Maturity and Equity Securities Available-for-Sale

Fixed Maturity and Equity Securities Available-for-Sale by Sector

The following table presents the fixed maturity and equity securities available-for-sale (“AFS”) by sector. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and asset-backed securities (“ABS”).

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
5. Investments (continued)

	March 31, 2015					December 31, 2014				
	Cost or Amortized Cost	Gross Unrealized Gains	Temporary Losses	OTTI Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Temporary Losses	OTTI Losses	Estimated Fair Value
	(In millions)									
Fixed maturity securities										
U.S. corporate	$95,661	$11,231	$557	$—	$106,335	$96,235	$10,343	$624	$—	$105,954
Foreign corporate	56,728	4,781	1,008	7	60,494	57,695	4,651	664	7	61,675
U.S. Treasury and agency	52,560	7,946	34	—	60,472	54,654	6,892	30	—	61,516
Foreign government	46,384	6,106	129	—	52,361	47,327	5,500	161	—	52,666
RMBS	41,836	2,234	208	78	43,784	38,064	2,102	214	106	39,846
State and political subdivision	13,293	2,445	28	—	15,710	12,922	2,291	26	—	15,187
CMBS (1)	12,762	605	57	(1)	13,311	13,762	615	46	(1)	14,332
ABS	13,685	226	103	—	13,808	14,121	240	112	—	14,249
Total fixed maturity securities	$332,909	$35,574	$2,124	$84	$366,275	$334,780	$32,634	$1,877	$112	$365,425
Equity securities										
Common stock	$2,037	$563	$25	$—	$2,575	$1,990	$554	$28	$—	$2,516
Non-redeemable preferred stock	1,096	86	44	—	1,138	1,086	68	39	—	1,115
Total equity securities	$3,133	$649	$69	$—	$3,713	$3,076	$622	$67	$—	$3,631

(1) The noncredit loss component of other-than-temporary-impairment ("OTTI") losses for CMBS was in an unrealized gain position of $1 million at both March 31, 2015 and December 31, 2014, 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 with an estimated fair value of $78 million and $64 million with unrealized gains (losses) of $31 million and $28 million at March 31, 2015 and December 31, 2014, respectively.

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at March 31, 2015:

	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
	(In millions)					
Amortized cost	$13,740	$71,252	$75,395	$104,239	$68,283	$332,909
Estimated fair value	$13,916	$74,840	$81,857	$124,759	$70,903	$366,275

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

Continuous Gross Unrealized Losses for Fixed Maturity and Equity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity and equity 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.

	March 31, 2015				December 31, 2014			
	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
	(In millions, except number of securities)							
Fixed maturity securities								
U.S. corporate	$8,366	$322	$2,545	$235	$11,389	$331	$4,658	$293
Foreign corporate	10,108	849	1,657	166	9,410	505	2,074	166
U.S. Treasury and agency	4,600	31	302	3	8,927	12	1,314	18
Foreign government	1,241	54	435	75	1,085	80	630	81
RMBS	3,276	65	2,018	221	4,180	92	2,534	228
State and political subdivision	287	5	109	23	83	1	297	25
CMBS	1,579	46	362	10	1,268	23	934	22
ABS	3,672	67	1,384	36	4,456	57	1,440	55
Total fixed maturity securities	$33,129	$1,439	$8,812	$769	$40,798	$1,101	$13,881	$888
Equity securities								
Common stock	$137	$25	$—	$—	$111	$28	$1	$—
Non-redeemable preferred stock	37	3	189	41	67	2	192	37
Total equity securities	$174	$28	$189	$41	$178	$30	$193	$37
Total number of securities in an unrealized loss position	2,704		1,122		3,153		1,435	

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities

As described more fully in Notes 1 and 8 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities, equity securities and perpetual hybrid securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.

Current Period Evaluation

Based on the Company’s current evaluation of its AFS 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 March 31, 2015. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings, collateral valuation, interest rates and credit spreads. 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 increased $219 million during the three months ended March 31, 2015 to $2.2 billion. The increase in gross unrealized losses for the three months ended March 31, 2015 was primarily attributable to the impact of weakening foreign currencies on non-functional currency denominated fixed maturity securities.

At March 31, 2015, $141 million of the total $2.2 billion of gross unrealized losses were from 50 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Investment Grade Fixed Maturity Securities

Of the $141 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $78 million, or 55%, were related to gross unrealized losses on 24 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads and, with respect to fixed-rate fixed maturity securities, rising interest rates since purchase.

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5. Investments (continued)

Below Investment Grade Fixed Maturity Securities
Of the $141 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $63 million, or 45%, were related to gross unrealized losses on 26 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to non-agency RMBS (primarily alternative residential mortgage loans), foreign corporate securities (primarily financial services industry securities) and state and political subdivision securities (primarily tax-exempt revenue bonds) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over valuations of residential real estate supporting non-agency RMBS. Management evaluates non-agency RMBS based on actual and projected 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; and evaluates foreign corporate and state and political subdivision securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuers.
Equity Securities
Gross unrealized losses on equity securities increased $2 million during the three months ended March 31, 2015 to $69 million. Of the $69 million, $29 million were from seven securities with gross unrealized losses of 20% or more of cost for 12 months or greater. Of the $29 million, 59% were from securities rated A or better, and all were from financial services industry investment grade non-redeemable preferred stock securities.
Mortgage Loans
Mortgage Loans by Portfolio Segment
Mortgage loans are summarized as follows at:

	March 31, 2015		December 31, 2014	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)		(In millions)	
Mortgage loans:				
Commercial	$42,164	67.6 %	$41,088	68.3 %
Agricultural	12,333	19.8	12,378	20.6
Residential	7,626	12.2	6,369	10.6
Subtotal (1)	62,123	99.6	59,835	99.5
Valuation allowances	(315)	(0.5)	(305)	(0.5)
Subtotal mortgage loans, net	61,808	99.1	59,530	99.0
Residential — fair value option (“FVO”)	329	0.5	308	0.5
Commercial mortgage loans held by CSEs — FVO	272	0.4	280	0.5
Total mortgage loans, net	$62,409	100.0 %	$60,118	100.0 %

(1) Purchases of mortgage loans were $1.4 billion and $597 million for the three months ended March 31, 2015 and 2014, respectively.

See “— Variable Interest Entities” for discussion of consolidated securitization entities (“CSEs”).
Information on commercial, agricultural and residential mortgage loans is presented in the tables below. Information on residential - FVO and commercial mortgage loans held by CSEs - FVO is presented in Note 7. The Company elects the FVO for certain mortgage loans and related long-term debt that are managed on a total return basis.

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5. 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:

	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
	(In millions)							
March 31, 2015								
Commercial	$69	$ 69	$ 20	$98	$ 98	$41,997	$ 205	$147
Agricultural	51	48	2	16	16	12,269	37	62
Residential	—	—	—	62	58	7,568	51	58
Total	$120	$ 117	$ 22	$176	$ 172	$61,834	$ 293	$267
December 31, 2014								
Commercial	$75	$ 75	$ 24	$101	$ 100	$40,913	$ 200	$151
Agricultural	51	48	2	14	13	12,317	37	59
Residential	—	—	—	40	37	6,332	42	37
Total	$126	$ 123	$ 26	$155	$ 150	$59,562	$ 279	$247

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $171 million, $63 million and $47 million, respectively, for the three months ended March 31, 2015; and $507 million, $100 million and $13 million, respectively, for the three months ended March 31, 2014.

Valuation Allowance Rollforward by Portfolio Segment

The changes in the valuation allowance, by portfolio segment, were as follows:

	Three Months Ended March 31,							
	2015				2014			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$224	$ 39	$ 42	$305	$258	$ 44	$ 20	$322
Provision (release)	1	—	14	15	1	(2)	6	5
Charge-offs, net of recoveries	—	—	(5)	(5)	—	—	(1)	(1)
Balance, end of period	$225	$ 39	$ 51	$315	$259	$ 42	$ 25	$326

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5. Investments (continued)

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	
	(In millions)						(In millions)		
March 31, 2015									
Loan-to-value ratios									
Less than 65%	$35,250	$ 953	$801	$37,004	87.8	%	$ 38,884	88.2	%
65% to 75%	3,398	573	64	4,035	9.6		4,088	9.3	
76% to 80%	137	—	8	145	0.3		154	0.3	
Greater than 80%	577	299	104	980	2.3		964	2.2	
Total	$39,362	$ 1,825	$977	$42,164	100.0	%	$ 44,090	100.0	%
December 31, 2014									
Loan-to-value ratios									
Less than 65%	$33,933	$ 1,105	$1,101	$36,139	88.0	%	$ 38,166	88.4	%
65% to 75%	3,306	405	87	3,798	9.2		3,873	9.0	
76% to 80%	130	—	15	145	0.4		153	0.3	
Greater than 80%	562	281	163	1,006	2.4		987	2.3	
Total	$37,931	$ 1,791	$1,366	$41,088	100.0	%	$ 43,179	100.0	%

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

	March 31, 2015 Recorded Investment	% of Total		December 31, 2014 Recorded Investment	% of Total	
	(In millions)			(In millions)		
Loan-to-value ratios						
Less than 65%	$11,498	93.2	%	$11,743	94.9	%
65% to 75%	703	5.7		533	4.3	
76% to 80%	50	0.4		17	0.1	
Greater than 80%	82	0.7		85	0.7	
Total	$12,333	100.0	%	$12,378	100.0	%

The estimated fair value of agricultural mortgage loans was $12.8 billion at both March 31, 2015 and December 31, 2014.

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MetLife, Inc.
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5. Investments (continued)

Credit Quality of Residential Mortgage Loans
The credit quality of residential mortgage loans was as follows at:

	March 31, 2015		December 31, 2014	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(In millions)		(In millions)	
Performance indicators				
Performing	$7,429	97.4 %	$6,196	97.3 %
Nonperforming	197	2.6	173	2.7
Total	$7,626	100.0 %	$6,369	100.0 %

The estimated fair value of residential mortgage loans was $7.7 billion and $6.6 billion at March 31, 2015 and December 31, 2014, respectively.
Past Due and Interest Accrual Status of Mortgage Loans
The Company has a high quality, well performing mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both March 31, 2015 and December 31, 2014. 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 accrual status of mortgage loans at recorded investment, prior to valuation allowances, by portfolio segment, were as follows at:

	Past Due		Nonaccrual Status	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
	(In millions)			
Commercial	$10	$10	$69	$75
Agricultural	26	1	46	41
Residential	197	173	188	163
Total	$233	$184	$303	$279

Mortgage Loans Modified in a Troubled Debt Restructuring
For a small portion of the mortgage loan portfolio, classified as troubled debt restructurings, concessions are granted related to borrowers experiencing financial difficulties. 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 concession granted is considered in determining any impairment or changes in the specific valuation allowance. During the three months ended March 31, 2015 and 2014, the Company did not have a significant amount of mortgage loans modified in a troubled debt restructuring.
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 $2.1 billion and $4.5 billion at March 31, 2015 and December 31, 2014, respectively.
Net Unrealized Investment Gains (Losses)
Unrealized investment gains (losses) on fixed maturity and equity securities AFS and the effect on DAC, VOBA, deferred sales inducements (“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. The components of net unrealized investment gains (losses), included in AOCI, were as follows:

	March 31, 2015	December 31, 2014
	(In millions)	
Fixed maturity securities	$33,080	$30,367

Fixed maturity securities with noncredit OTTI losses in AOCI	(84)	(112)
Total fixed maturity securities	32,996	30,255
Equity securities	678	608
Derivatives	2,502	1,761
Other	159	149
Subtotal	36,335	32,773
Amounts allocated from:		
Future policy benefits	(3,742)	(2,886)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(1)	(4)
DAC, VOBA and DSI	(2,062)	(1,946)
Policyholder dividend obligation	(3,483)	(3,155)
Subtotal	(9,288)	(7,991)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	31	42
Deferred income tax benefit (expense)	(9,273)	(8,556)
Net unrealized investment gains (losses)	17,805	16,268
Net unrealized investment gains (losses) attributable to noncontrolling interests	(44)	(33)
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$17,761	$16,235

The changes in fixed maturity securities with noncredit OTTI losses included in AOCI were as follows:

	Three Months Ended March 31, 2015	Year Ended December 31, 2014
	(In millions)	
Balance, beginning of period	$(112)	$(218)
Noncredit OTTI losses and subsequent changes recognized	10	17
Securities sold with previous noncredit OTTI loss	12	53
Subsequent changes in estimated fair value	6	36
Balance, end of period	$(84)	$(112)

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

5. Investments (continued)

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

	Three Months Ended March 31, 2015	
	(In millions)	
Balance, beginning of period	$16,235	
Fixed maturity securities on which noncredit OTTI losses have been recognized	28	
Unrealized investment gains (losses) during the period	3,534	
Unrealized investment gains (losses) relating to:		
Future policy benefits	(856	)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	3	
DAC, VOBA and DSI	(116	)
Policyholder dividend obligation	(328	)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(11	)
Deferred income tax benefit (expense)	(717	)
Net unrealized investment gains (losses)	17,772	
Net unrealized investment gains (losses) attributable to noncontrolling interests	(11	)
Balance, end of period	$17,761	
Change in net unrealized investment gains (losses)	$1,537	
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	(11	)
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$1,526	

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 $20.6 billion and $20.3 billion at March 31, 2015 and December 31, 2014, respectively. The Company’s investment in fixed maturity and equity securities to counterparties that primarily conduct business in Japan, including Japan government and agency fixed maturity securities, was $25.8 billion and $25.5 billion at March 31, 2015 and December 31, 2014, respectively.

Securities Lending

Elements of the securities lending program are presented below at:

	March 31, 2015	December 31, 2014
	(In millions)	
Securities on loan: (1)		
Amortized cost	$25,933	$26,989
Estimated fair value	$29,358	$30,269
Cash collateral on deposit from counterparties (2)	$29,804	$30,826
Security collateral on deposit from counterparties (3)	$170	$83
Reinvestment portfolio — estimated fair value	$30,350	$31,314

(1) Included within fixed maturity securities and short-term investments. At March 31, 2015, both amortized cost and estimated fair value also include $26 million, at estimated fair value, of securities which are not reflected in the consolidated financial statements.

(2) Included within payables for collateral under securities loaned and other transactions.

(3) Security collateral on deposit from counterparties may not be sold or re-pledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements.

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5. Investments (continued)

Repurchase Agreement Transactions
Commencing in the first quarter of 2015, the Company began participating in short-term repurchase agreements and reverse repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company lends fixed maturity securities, and contemporaneously borrows other fixed maturity securities (e.g., repurchase and reverse repurchase, respectively). The Company accounted for these transactions as collateralized borrowing and lending. The amount of fixed maturity securities lent and borrowed, at estimated fair value, was $516 million and $505 million, respectively, at March 31, 2015. Securities loaned under such transactions may be sold or re-pledged by the transferee. Securities borrowed under such transactions may be re-pledged and are not reflected in the consolidated financial statements. The amount of borrowed securities which were re-pledged was $117 million, at estimated fair value, at March 31, 2015. Net interest expense related to these transactions included in net investment income was less than $1 million for the three months ended March 31, 2015.
The Company has elected to offset amounts recognized as receivables and payables resulting from these transactions. The gross amounts of the receivables and payables related to these transactions at March 31, 2015 were both $499 million. After the effect of offsetting of $499 million, the net amount presented in the consolidated balance sheet at March 31, 2015 was a liability of less than $1 million. Amounts owed to and due from counterparties may be settled in cash or offset, in accordance with the agreements. Cash inflows and outflows for cash settlements are reported on the consolidated statements of cash flows.
See Note 6 for information regarding the estimated fair value of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.
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:

	March 31, 2015	December 31, 2014
	(In millions)	
Invested assets on deposit (regulatory deposits)	$9,544	$9,437
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	10,491	10,069
Invested assets pledged as collateral (1)	26,061	25,996
Total invested assets on deposit, held in trust and pledged as collateral	$46,096	$45,502

(1) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Notes 4 and 12 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report), collateral financing arrangements (see Note 13 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report) and derivative transactions (see Note 7).

See "— Securities Lending" and "— Repurchase Agreement Transactions" for information regarding securities on loan and Note 4 for information regarding investments designated to the closed block.
Variable Interest Entities
The Company has invested in certain structured transactions (including CSEs), formed trusts to invest proceeds from certain collateral financing arrangements and has insurance operations 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. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary. However, for

VIEs that are investment companies or apply measurement principles consistent with those utilized by investment companies, the primary beneficiary is based on a risks and rewards model and is defined as the entity that will absorb a majority of a VIE's expected losses, receive a majority of a VIE's expected residual returns if no single entity absorbs a majority of expected losses, or both. The Company reassesses its involvement with VIEs on a quarterly basis. The use of different methodologies, assumptions and inputs in the determination of the primary beneficiary could have a material effect on the amounts presented within the consolidated financial statements.

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
5. Investments (continued)

Consolidated VIEs
The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at March 31, 2015 and December 31, 2014. 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.

	March 31, 2015		December 31, 2014	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC (collateral financing arrangement (primarily securities)) (1)	$3,458	$—	$3,471	$—
Operating joint venture (2)	2,544	2,123	2,405	1,999
CSEs (assets (primarily loans) and liabilities (primarily debt)) (3)	288	147	297	155
Investments:				
Other invested assets	73	15	59	—
FVO and trading securities	42	—	45	—
Other limited partnership interests	37	—	37	—
Real estate joint ventures	9	15	9	15
Total	$6,451	$2,300	$6,323	$2,169

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(1) See Note 13 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report for a description of the MetLife Reinsurance Company of South Carolina ("MRSC") collateral financing arrangement.

(2) Assets of the operating joint venture are primarily fixed maturity securities and separate account assets. Liabilities of the operating joint venture are primarily future policy benefits, other policyholder funds and separate account liabilities.

(3) The Company consolidates entities that are structured as CMBS and as collateralized debt obligations. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The Company's exposure was limited to that of its remaining investment in these entities of $122 million and $123 million at estimated fair value at March 31, 2015 and December 31, 2014, respectively. The long-term debt bears interest primarily at fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was $1 million and $18 million for the three months ended March 31, 2015 and 2014, respectively.

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5. Investments (continued)

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:

	March 31, 2015		December 31, 2014	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured securities (RMBS, CMBS and ABS) (2)	$70,903	$70,903	$68,427	$68,427
U.S. and foreign corporate	3,704	3,704	3,829	3,829
Other limited partnership interests	6,224	8,382	6,250	8,402
Other invested assets	1,696	2,056	1,720	2,050
FVO and trading securities	602	602	565	565
Real estate joint ventures	93	118	100	125
Mortgage loans	51	51	51	51
Equity securities AFS:				
Non-redeemable preferred stock	39	39	41	41
Total	$83,312	$85,855	$80,983	$83,490

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(1) The maximum exposure to loss relating to fixed maturity securities AFS, FVO and trading securities and equity 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, mortgage loans and real estate joint ventures 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 $208 million and $212 million at March 31, 2015 and December 31, 2014, 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.

As described in Note 13, 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 the three months ended March 31, 2015 and 2014.

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5. Investments (continued)

Net Investment Income
The components of net investment income were as follows:

	Three Months Ended March 31, 2015	2014
	(In millions)	
Investment income:		
Fixed maturity securities	$3,541	$3,653
Equity securities	31	30
FVO and trading securities — Actively Traded and FVO general account securities (1)	37	37
Mortgage loans	730	709
Policy loans	152	157
Real estate and real estate joint ventures	211	217
Other limited partnership interests	215	329
Cash, cash equivalents and short-term investments	35	47
Operating joint ventures	8	—
Other	122	45
Subtotal	5,082	5,224
Less: Investment expenses	302	276
Subtotal, net	4,780	4,948
FVO and trading securities — FVO contractholder-directed unit-linked investments (1)	677	65
FVO CSEs — interest income:		
Commercial mortgage loans	4	22
Subtotal	681	87
Net investment income	$5,461	$5,035

(1) Changes in estimated fair value subsequent to purchase for securities still held as of the end of the respective periods included in net investment income were as follows:

	Three Months Ended March 31, 2015	2014
	(In millions)	
Actively Traded and FVO general account securities	$6	$11
FVO contractholder-directed unit-linked investments	$536	$(41)

See "— Variable Interest Entities" for discussion of CSEs.
FVO and trading securities are primarily comprised of securities for which the FVO has been elected ("FVO Securities"). FVO Securities include certain 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. FVO Securities are primarily comprised of contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation as separate account summary total assets and liabilities. 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. FVO Securities also include securities held by CSEs. The Company has a trading securities portfolio, principally invested in fixed maturity securities, to support investment strategies that involve the active and frequent purchase and

sale of actively traded securities and the execution of short sale agreements.

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5. Investments (continued)

Net Investment Gains (Losses)
Components of Net Investment Gains (Losses)
The components of net investment gains (losses) were as follows:

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Total gains (losses) on fixed maturity securities:		
Total OTTI losses recognized — by sector and industry:		
U.S. and foreign corporate securities — by industry:		
Consumer	$(3)	$(7)
Industrial	(2)	—
Total U.S. and foreign corporate securities	(5)	(7)
RMBS	(13)	(3)
OTTI losses on fixed maturity securities recognized in earnings	(18)	(10)
Fixed maturity securities — net gains (losses) on sales and disposals	151	96
Total gains (losses) on fixed maturity securities	133	86
Total gains (losses) on equity securities:		
Total OTTI losses recognized — by sector:		
Common stock	—	(1)
OTTI losses on equity securities recognized in earnings	—	(1)
Equity securities — net gains (losses) on sales and disposals	8	26
Total gains (losses) on equity securities	8	25
FVO and trading securities — FVO general account securities	—	9
Mortgage loans	(43)	(11)
Real estate and real estate joint ventures	27	65
Other limited partnership interests	16	(2)
Other investment portfolio gains (losses)	23	(4)
Subtotal — investment portfolio gains (losses)	164	168
FVO CSEs:		
Commercial mortgage loans	(3)	1
Long-term debt — related to commercial mortgage loans	1	1
Non-investment portfolio gains (losses) (1)	124	(581)
Subtotal FVO CSEs and non-investment portfolio gains (losses)	122	(579)
Total net investment gains (losses)	$286	$(411)

(1) Non-investment portfolio gains (losses) for the three months ended March 31, 2014 includes a loss of $495 million related to the disposition of MetLife Assurance Limited. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

See "— Variable Interest Entities" for discussion of CSEs.
Gains (losses) from foreign currency transactions included within net investment gains (losses) were $161 million and $5 million for the three months ended March 31, 2015 and 2014, respectively.
Sales or Disposals and Impairments of Fixed Maturity and Equity Securities
Proceeds from sales or disposals of fixed maturity and equity securities and the components of fixed maturity and equity securities net investment gains (losses) were as shown in the table below. Investment gains and losses on sales

of securities are determined on a specific identification basis.

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

5. Investments (continued)

	Three Months Ended March 31,			
	2015	2014	2015	2014
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	$30,006	$22,291	$53	$101
Gross investment gains	$338	$314	$15	$27
Gross investment losses	(187)	(218)	(7)	(1)
OTTI losses	(18)	(10)	—	(1)
Net investment gains (losses)	$133	$86	$8	$25

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 still held for which a portion of the OTTI loss was recognized in other comprehensive income (loss) (“OCI”):

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Balance, beginning of period	$357	$378
Additions:		
Initial impairments — credit loss OTTI on securities not previously impaired	2	—
Additional impairments — credit loss OTTI on securities previously impaired	11	2
Reductions:		
Sales (maturities, pay downs or prepayments) during the period of securities previously impaired as credit loss OTTI	(13)	(10)
Balance, end of period	$357	$370

6. Derivatives

Accounting for 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 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 derivatives 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 contractholder-directed 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 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.

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.

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6. Derivatives (continued)

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 fair value with changes in 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), except for those in policyholder benefits and claims related to ceded reinsurance of GMIB. 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.

See Note 7 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 market.

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, 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 non-qualifying 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. Treasury, agency, or other fixed maturity security. Structured interest rate swaps are included in interest rate swaps and are not designated as hedging instruments.

The Company purchases interest rate caps and floors 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, as well as to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level, respectively. 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 non-qualifying 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, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, 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 non-qualifying 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 non-qualifying 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 hedging relationships.

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 non-qualifying 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 non-qualifying 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 international subsidiaries. The Company utilizes currency options in net investment in foreign operations and non-qualifying hedging relationships.

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6. Derivatives (continued)

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 non-qualifying 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, repudiation, moratorium, involuntary restructuring or governmental intervention. 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 non-qualifying hedging relationships.

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. Treasury securities, agency securities or other fixed maturity securities. These credit default swaps are not designated as hedging instruments.

The Company also enters 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 are not designated as hedging instruments.

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 total rate of return swaps (“TRRs”).

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 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 non-qualifying 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 non-qualifying 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, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded 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 non-qualifying hedging relationships.

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6. Derivatives (continued)

TRRs are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and the London Interbank Offered Rate (LIBOR), 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 TRRs to hedge its equity market guarantees in certain of its insurance products. TRRs can be used as hedges or to synthetically create investments. The Company utilizes TRRs in non-qualifying hedging relationships.

Primary Risks Managed by Derivatives

The following table presents the gross notional amount, estimated fair value and primary underlying risk exposure of the Company's derivatives, excluding embedded derivatives, held at:

		March 31, 2015			December 31, 2014		
	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	$5,975	$2,296	$22	$6,044	$2,064	$21
Foreign currency swaps	Foreign currency exchange rate	2,699	77	354	2,708	65	100
Foreign currency forwards	Foreign currency exchange rate	2,735	—	251	2,335	—	291
Subtotal		11,409	2,373	627	11,087	2,129	412
Cash flow hedges:							
Interest rate swaps	Interest rate	2,927	666	—	2,560	528	—
Interest rate forwards	Interest rate	200	70	—	225	63	—
Foreign currency swaps	Foreign currency exchange rate	19,897	1,139	1,508	18,325	563	930
Subtotal		23,024	1,875	1,508	21,110	1,154	930
Foreign operations hedges:							
Foreign currency forwards	Foreign currency exchange rate	4,306	101	11	4,097	295	11
Currency options	Foreign currency exchange rate	8,233	385	8	6,419	415	—
Subtotal		12,539	486	19	10,516	710	11
Total qualifying hedges		46,972	4,734	2,154	42,713	3,993	1,353
Derivatives Not Designated or Not Qualifying as Hedging Instruments							
Interest rate swaps	Interest rate	91,545	5,353	2,465	93,266	4,570	2,051
Interest rate floors	Interest rate	34,155	464	172	55,645	440	199
Interest rate caps	Interest rate	52,763	90	1	49,128	145	1
Interest rate futures	Interest rate	3,557	9	6	2,707	4	9
Interest rate options	Interest rate	35,261	1,666	27	48,078	1,241	75
Synthetic GICs	Interest rate	4,262	—	—	4,298	—	—
Foreign currency swaps	Foreign currency exchange rate	11,627	855	432	11,041	447	385

Foreign currency forwards	Foreign currency exchange rate	12,191	235	387	13,206	127	791
Currency futures	Foreign currency exchange rate	1,242	1	2	522	2	—
Currency options	Foreign currency exchange rate	9,734	531	295	8,324	585	340
Credit default swaps — purchased	Credit	2,711	15	49	2,830	8	34
Credit default swaps — written	Credit	10,206	190	4	10,527	181	6
Equity futures	Equity market	6,248	34	7	6,073	65	2
Equity index options	Equity market	42,751	1,411	1,079	39,345	1,426	1,036
Equity variance swaps	Equity market	24,449	192	664	24,598	196	639
TRRs	Equity market	3,375	11	78	3,297	22	101
Total non-designated or non-qualifying derivatives		346,077	11,057	5,668	372,885	9,459	5,669
Total		$393,049	$15,791	$7,822	$415,598	$13,452	$7,022

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6. 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 March 31, 2015 and December 31, 2014. 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 that are used to synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these non-qualified 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:

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Derivatives and hedging gains (losses) (1)	$848	$452
Embedded derivatives gains (losses)	(27)	(109)
Total net derivative gains (losses)	$821	$343

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and non-qualifying hedging relationships, which are not presented elsewhere in this note.

The following table presents earned income on derivatives:

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Qualifying hedges:		
Net investment income	$58	$33
Interest credited to policyholder account balances	2	32
Other expenses	(3)	(1)
Non-qualifying hedges:		
Net investment income	(1)	(1)
Net derivative gains (losses)	261	219
Policyholder benefits and claims	4	(8)
Total	$321	$274

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6. Derivatives (continued)

Non-Qualifying 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 qualifying as hedging instruments:

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
	(In millions)		
Three Months Ended March 31, 2015			
Interest rate derivatives	$552	$—	$ 11
Foreign currency exchange rate derivatives	669	—	—
Credit derivatives — purchased	(11)	(1)	—
Credit derivatives — written	3	1	—
Equity derivatives	(462)	(4)	(99)
Total	$751	$(4)	$ (88)
Three Months Ended March 31, 2014			
Interest rate derivatives	$298	$—	$ 12
Foreign currency exchange rate derivatives	69	—	—
Credit derivatives — purchased	1	1	—
Credit derivatives — written	(9)	—	—
Equity derivatives	(181)	(6)	(38)
Total	$178	$(5)	$ (26)

(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 contractholder-directed unit-linked investments.

(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.

MetLife, Inc.
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6. 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)		
Three Months Ended March 31, 2015				
Interest rate swaps:	Fixed maturity securities	$ (5)	$ 7	$ 2
	Policyholder liabilities (1)	197	(198)	(1)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	10	(8)	2
	Foreign-denominated policyholder account balances (2)	(249)	245	(4)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(17)	16	(1)
Total		$ (64)	$ 62	$ (2)
Three Months Ended March 31, 2014				
Interest rate swaps:	Fixed maturity securities	$ 1	$ 1	$ 2
	Policyholder liabilities (1)	209	(204)	5
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(4)	4	—
	Foreign-denominated policyholder account balances (2)	(27)	32	5
Foreign currency forwards:	Foreign-denominated fixed maturity securities	10	(9)	1
Total		$ 189	$ (176)	$ 13

(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 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 three months ended March 31, 2015 and March 31, 2014, the component of the change in fair value of derivatives that was excluded from the assessment of hedge effectiveness was ($2) million and $3 million, respectively.

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 certain amounts from AOCI into net derivative gains (losses). These amounts were $3 million and ($2) million for the three months ended March 31, 2015 and 2014, respectively.

At both March 31, 2015 and December 31, 2014, 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 six years.

At March 31, 2015 and December 31, 2014, the balance in AOCI associated with cash flow hedges was $2.5 billion and $1.8 billion, respectively.

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6. Derivatives (continued)

The following table presents the effects of derivatives in cash flow hedging relationships on the consolidated statements of operations and comprehensive income (loss) and the consolidated statements of equity:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives
	(Effective Portion)	(Effective Portion)			(Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)
	(In millions)				
Three Months Ended March 31, 2015					
Interest rate swaps	$174	$5	$3	$—	$3
Interest rate forwards	15	3	1	1	—
Foreign currency swaps	(2)	(567)	—	—	4
Credit forwards	—	—	—	—	—
Total	$187	$(559)	$4	$1	$7
Three Months Ended March 31, 2014					
Interest rate swaps	$228	$15	$2	$—	$5
Interest rate forwards	41	—	1	—	1
Foreign currency swaps	52	36	(1)	1	—
Credit forwards	—	—	—	—	—
Total	$321	$51	$2	$1	$6

All components of each derivative’s gain or loss were included in the assessment of hedge effectiveness.
At March 31, 2015, $35 million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified 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 comprehensive income (loss) and the consolidated statements of equity:

Derivatives in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in AOCI (Effective Portion)
	(In millions)
Three Months Ended March 31, 2015	
Foreign currency forwards	$ 111
Currency options	(41)
Total	$ 70

Three Months Ended March 31, 2014		
Foreign currency forwards	$ (34	)
Currency options	(114	)
Total	$ (148	)

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(1) During both the three months ended March 31, 2015 and 2014, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from AOCI into earnings.

(2) 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 March 31, 2015 and December 31, 2014, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was $1.0 billion and $940 million, respectively.

Credit Derivatives

In connection with synthetically created credit investment transactions and credit default swaps held in relation to the trading portfolio, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the non-qualifying 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 $10.2 billion and $10.5 billion at March 31, 2015 and December 31, 2014, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current fair value of the credit default swaps. At March 31, 2015 and December 31, 2014, the Company would have received $186 million and $175 million, respectively, to terminate all of these contracts.

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:

Rating Agency Designation of Referenced Credit Obligations (1)	March 31, 2015			December 31, 2014		
	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)
	(In millions)			(In millions)		
Aaa/Aa/A						
Single name credit default swaps (corporate)	$8	$636	2.3	$10	$677	2.4
Credit default swaps referencing indices	7	1,500	2.7	10	1,700	2.6
Subtotal	15	2,136	2.6	20	2,377	2.6
Baa						
Single name credit default swaps (corporate)	23	1,555	2.6	23	1,591	2.8
Credit default swaps referencing indices	97	5,742	4.9	94	5,774	4.7
Subtotal	120	7,297	4.4	117	7,365	4.3
Ba						
Single name credit default swaps (corporate)	1	60	2.7	—	60	3.0
Credit default swaps referencing indices	—	100	1.8	(1)	100	2.0
Subtotal	1	160	2.1	(1)	160	2.4

B						
Single name credit default swaps (corporate)	—	—	—	—	—	—
Credit default swaps referencing indices	50	613	4.7	39	625	4.9
Subtotal	50	613	4.7	39	625	4.9
Total	$186	$10,206	4.0	$175	$10,527	3.9

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(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.
(2) Assumes the value of the referenced credit obligations is zero.
(3) The weighted average years to maturity of the credit default swaps is calculated based on weighted average gross notional amounts.

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 $10.2 billion and $10.5 billion from the table above were $79 million and $75 million at March 31, 2015 and December 31, 2014, respectively.

Written credit default swaps held in relation to the trading portfolio amounted to $15 million in gross notional amount and $1 million in fair value at both March 31, 2015 and December 31, 2014.

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by 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 generally 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 7 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:

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement (6)	March 31, 2015 Assets	March 31, 2015 Liabilities	December 31, 2014 Assets	December 31, 2014 Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	$14,441	$6,600	$12,256	$6,017
OTC-cleared (1)	1,558	1,230	1,380	1,054
Exchange-traded	44	15	71	11
Total gross estimated fair value of derivatives (1)	16,043	7,845	13,707	7,082
Amounts offset on the consolidated balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the consolidated balance sheets (1)	16,043	7,845	13,707	7,082
Gross amounts not offset on the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(4,980)	(4,980)	(4,082)	(4,082)
OTC-cleared	(1,166)	(1,166)	(989)	(989)
Exchange-traded	(1)	(1)	(5)	(5)
Cash collateral: (3), (4)				
OTC-bilateral	(7,076)	(111)	(4,153)	(133)
OTC-cleared	(364)	(62)	(386)	(62)
Exchange-traded	—	(8)	—	(4)
Securities collateral: (5)				
OTC-bilateral	(2,063)	(1,407)	(3,768)	(1,700)
OTC-cleared	—	(2)	—	(3)
Exchange-traded	—	(6)	—	(2)
Net amount after application of master netting agreements and collateral	$393	$102	$324	$102

(1) At March 31, 2015 and December 31, 2014, derivative assets include income or expense accruals reported in accrued investment income or in other liabilities of $252 million and $255 million, respectively, and derivative liabilities include income or expense accruals reported in accrued investment income or in other liabilities of $23 million and $60 million, respectively.

(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, and the obligation to return it is included in payables for collateral under securities loaned and other transactions on the balance sheet. In certain instances, cash collateral pledged to the Company as initial margin for OTC-bilateral derivatives is held in separate custodial accounts and is not recorded on the Company's balance sheet because the account title is in the name of the counterparty (but segregated for the benefit of the Company). The amount of this off-balance sheet collateral was $327 million and $263 million at March 31, 2015 and December 31, 2014, respectively.

(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 March 31, 2015 and December 31, 2014, the Company received excess cash collateral of $259 million and $87 million (including $94 million and $36 million off-balance sheet cash collateral held in separate custodial accounts), respectively, and provided excess cash collateral of $240 million and $192 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 March 31, 2015 none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities 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 March 31, 2015 and December 31, 2014, the Company received excess securities collateral with an estimated fair value of $384 million and $395 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At March 31, 2015 and December 31, 2014, the Company provided excess securities collateral with an estimated fair value of $116 million and $117 million, respectively, for its OTC-bilateral derivatives, and $237 million and $199 million, respectively, for its OTC-cleared derivatives, and $212 million and $245 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

(6) See Note 5 for information regarding the Company's gross and net payables and receivables under repurchase agreement transactions.

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 fair value of that counterparty's derivatives reaches a pre-determined threshold. Certain of these arrangements also include credit-contingent provisions that 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 the Company and/or the counterparty. In addition, certain 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 ratings 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.

The following table presents the estimated fair value of the Company's OTC-bilateral derivatives that are 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 the Company would be required to provide if there was a one notch downgrade in the Company's credit rating at the reporting date or if the Company's credit rating sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position at the reporting date. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
6. Derivatives (continued)

	Estimated Fair Value of Derivatives in Net Liability Position (1)	Estimated Fair Value of Collateral Provided		Fair Value of Incremental Collateral Provided Upon	
		Fixed Maturity Securities	Cash	One Notch Downgrade in the Company's Credit Rating	Downgrade in the Company's Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
	(In millions)				
March 31, 2015					
Derivatives subject to credit-contingent provisions	$1,519	$1,454	$117	$4	$4
Derivatives not subject to credit-contingent provisions	91	68	2	—	—
Total	$1,610	$1,522	$119	$4	$4
December 31, 2014					
Derivatives subject to credit-contingent provisions	$1,832	$1,750	$131	$5	$7
Derivatives not subject to credit-contingent provisions	84	65	2	—	—
Total	$1,916	$1,815	$133	$5	$7

(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, guaranteed minimum accumulation benefits ("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 assumed and ceded reinsurance; fixed annuities with equity-indexed returns; and certain debt and equity securities.

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	March 31, 2015	December 31, 2014
		(In millions)	
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$351	$324
Funds withheld on assumed reinsurance	Other invested assets	56	53
	Investments	(303)	(217)

Options embedded in debt or equity securities			
Net embedded derivatives within asset host contracts		$104	$160
Net embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	Policyholder account balances and Future policy benefits	$(830)	$(1,126)
Assumed guaranteed minimum benefits	Policyholder account balances	868	973
Funds withheld on ceded reinsurance	Other liabilities	71	83
Other	Policyholder account balances	28	24
Net embedded derivatives within liability host contracts		$137	$(46)

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
6. Derivatives (continued)

The following table presents changes in estimated fair value related to embedded derivatives:

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Net derivative gains (losses) (1)	$(27)	$(109)
Policyholder benefits and claims	$24	$15

(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 $69 million and $43 million for the three months ended March 31, 2015 and 2014, respectively.

7. Fair Value

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.

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.

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
7. Fair Value (continued)

	March 31, 2015			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$—	$99,014	$7,321	$106,335
Foreign corporate	—	54,086	6,408	60,494
U.S. Treasury and agency	34,116	26,356	—	60,472
Foreign government	—	50,977	1,384	52,361
RMBS	2,597	36,642	4,545	43,784
State and political subdivision	—	15,708	2	15,710
CMBS	—	12,667	644	13,311
ABS	—	11,355	2,453	13,808
Total fixed maturity securities	36,713	306,805	22,757	366,275
Equity securities:				
Common stock	1,598	883	94	2,575
Non-redeemable preferred stock	—	894	244	1,138
Total equity securities	1,598	1,777	338	3,713
FVO and trading securities:				
Actively Traded securities	48	656	10	714
FVO general account securities	527	35	89	651
FVO contractholder-directed unit-linked investments	11,020	3,659	412	15,091
FVO securities held by CSEs	—	5	10	15
Total FVO and trading securities	11,595	4,355	521	16,471
Short-term investments (1)	2,621	8,673	1,358	12,652
Mortgage loans:				
Residential mortgage loans — FVO	—	—	329	329
Commercial mortgage loans held by CSEs — FVO	—	272	—	272
Total mortgage loans	—	272	329	601
Other invested assets:				
Other investments	187	59	—	246
Derivative assets: (2)				
Interest rate	9	10,535	70	10,614
Foreign currency exchange rate	1	3,295	28	3,324
Credit	—	194	11	205
Equity market	34	1,279	335	1,648
Total derivative assets	44	15,303	444	15,791
Total other invested assets	231	15,362	444	16,037
Net embedded derivatives within asset host contracts (3)	—	—	407	407
Separate account assets (4)	86,253	236,415	2,056	324,724
Total assets	$139,011	$573,659	$28,210	$740,880
Liabilities				

Derivative liabilities: (2)				
Interest rate	$6	$2,686	$1	$2,693
Foreign currency exchange rate	2	3,151	95	3,248
Credit	—	52	1	53
Equity market	7	1,129	692	1,828
Total derivative liabilities	15	7,018	789	7,822
Net embedded derivatives within liability host contracts (3)	—	8	129	137
Long-term debt of CSEs — FVO	—	131	12	143
Trading liabilities (5)	206	46	—	252
Total liabilities	$221	$7,203	$930	$8,354

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
7. Fair Value (continued)

	December 31, 2014			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$—	$99,012	$6,942	$105,954
Foreign corporate	—	55,185	6,490	61,675
U.S. Treasury and agency	36,879	24,637	—	61,516
Foreign government	—	51,355	1,311	52,666
RMBS	—	35,463	4,383	39,846
State and political subdivision	—	15,187	—	15,187
CMBS	—	13,567	765	14,332
ABS	—	12,005	2,244	14,249
Total fixed maturity securities	36,879	306,411	22,135	365,425
Equity securities:				
Common stock	1,558	863	95	2,516
Non-redeemable preferred stock	—	865	250	1,115
Total equity securities	1,558	1,728	345	3,631
FVO and trading securities:				
Actively Traded securities	22	627	5	654
FVO general account securities	552	57	95	704
FVO contractholder-directed unit-linked investments	11,064	3,797	455	15,316
FVO securities held by CSEs	—	3	12	15
Total FVO and trading securities	11,638	4,484	567	16,689
Short-term investments (1)	2,104	5,223	336	7,663
Mortgage loans:				
Residential mortgage loans — FVO	—	—	308	308
Commercial mortgage loans held by CSEs — FVO	—	280	—	280
Total mortgage loans	—	280	308	588
Other invested assets:				
Other investments	203	61	—	264
Derivative assets: (2)				
Interest rate	4	8,988	63	9,055
Foreign currency exchange rate	2	2,472	25	2,499
Credit	—	175	14	189
Equity market	65	1,287	357	1,709
Total derivative assets	71	12,922	459	13,452
Total other invested assets	274	12,983	459	13,716
Net embedded derivatives within asset host contracts (3)	—	—	377	377
Separate account assets (4)	83,533	231,539	1,922	316,994
Total assets	$135,986	$562,648	$26,449	$725,083
Liabilities				

Derivative liabilities: (2)				
Interest rate	$9	$2,347	$—	$2,356
Foreign currency exchange rate	—	2,755	93	2,848
Credit	—	38	2	40
Equity market	2	1,112	664	1,778
Total derivative liabilities	11	6,252	759	7,022
Net embedded derivatives within liability host contracts (3)	—	7	(53)	(46)
Long-term debt of CSEs — FVO	—	138	13	151
Trading liabilities (5)	215	24	—	239
Total liabilities	$226	$6,421	$719	$7,366

(1) 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.

(2) 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.

(3) Net embedded derivatives within asset host contracts are presented primarily within premiums, reinsurance and other receivables on the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented within policyholder account balances, future policy benefits and other liabilities on the consolidated balance sheets. At March 31, 2015 and December 31, 2014, equity securities also included embedded derivatives of ($303) million and ($217) million, respectively.

(4) 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.

(5) Trading liabilities are presented within other liabilities on the consolidated balance sheets.

The following describes the valuation methodologies used to measure assets and liabilities at fair value. The description includes the valuation techniques and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy.

Investments

Valuation Controls and Procedures

On behalf of the Company's Chief Investment Officer and Chief Financial Officer, a pricing and valuation committee that is independent of the trading and investing functions and comprised of senior management, provides oversight of control systems and valuation policies for securities, mortgage loans and derivatives. On a quarterly basis, this committee reviews and approves new transaction types and markets, ensures that observable market prices and market-based parameters are used for valuation, wherever possible and determines that judgmental valuation adjustments, when applied, are based upon established policies and are applied consistently over time. This committee also provides oversight of the selection of independent third party pricing providers and the controls and procedures to evaluate third party pricing. Periodically, the Chief Accounting Officer reports to the Audit Committee of MetLife, Inc.'s Board of Directors regarding compliance with fair value accounting standards.

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management's knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as "consensus pricing," represent a reasonable estimate of fair value by considering such pricing relative to the Company's knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 10% of the total estimated fair value of Level 3 fixed maturity securities at March 31, 2015.

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The Company also applies a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If prices received from independent pricing services are not considered reflective of market activity or representative of estimated fair value, independent non-binding broker quotations are obtained, or an internally developed valuation is prepared. Internally developed valuations of current estimated fair value, which reflect internal estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences in the estimated fair values for the majority of the portfolio; accordingly, overrides were not material. This is, in part, because internal estimates of liquidity and nonperformance risks are generally based on available market evidence and estimates used by other market participants. In the absence of such market-based evidence, management's best estimate is used.

Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities

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 investments in certain separate accounts included in FVO contractholder-directed unit-linked investments, FVO securities held by CSEs, other investments, long-term debt of CSEs — FVO and trading liabilities is determined on a basis consistent with the methodologies described herein for securities.

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.

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
7. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Fixed Maturity Securities		
U.S. corporate and Foreign corporate securities		

	Valuation Techniques: Principally the market and income approaches.
	Key Inputs:
	• quoted prices in markets that are not active
	• benchmark yields
	• spreads off benchmark yields
	• new issuances
	• issuer rating
	• duration
	• trades of identical or comparable securities
	• Privately-placed securities are valued using the additional key inputs:
	  • market yield curve
	  • call provisions
	  • observable prices and spreads for similar publicly traded or privately traded securities that incorporate the credit quality and industry sector of the issuer
	  • delta spread adjustments to reflect specific credit-related issues
		Valuation Techniques: Principally the market approach.
		Key Inputs:
		• illiquidity premium
		• delta spread adjustments to reflect specific credit-related issues
		• credit spreads
		• 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

U.S. Treasury and agency, Foreign government and State and political subdivision securities		
	Valuation Techniques: Principally the market approach. Key Inputs: • quoted prices in markets that are not active • benchmark U.S. Treasury yield or other yields • the spread off the U.S. Treasury yield curve for the identical security • issuer ratings and issuer spreads • broker-dealer quotes • comparable securities that are actively traded • reported trades of similar securities, including those that are actively traded, and those within the same sub-sector or with a similar maturity or credit rating	Valuation Techniques: Principally the market approach. Key Inputs: • independent non-binding broker quotations • 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 • credit spreads
Structured securities comprised of RMBS, CMBS and ABS		

Valuation Techniques: Principally the market and income approaches.
Key Inputs:
• quoted prices in markets that are not active
• spreads for actively traded securities
• spreads off benchmark yields
• expected prepayment speeds and volumes
• current and forecasted loss severity
• ratings
• weighted average coupon and weighted average maturity
• average delinquency rates
• geographic region
• debt-service coverage ratios
• issuance-specific information, including, but not limited to:
  • collateral type
  • payment terms of the underlying assets
  • payment priority within the tranche
  • structure of the security
  • deal performance
  • vintage of loans
	Valuation Techniques: Principally the market and income approaches.
	Key Inputs:
	• credit spreads
	• 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

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Equity Securities		
Common and Non-redeemable preferred stock		
	Valuation Techniques: Principally the market approach. Key Input: • quoted prices in markets that are not considered active	Valuation Techniques: Principally the market and income approaches. Key Inputs: • 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
FVO and trading securities, Short-term investments, and Other invested assets		
	• FVO and trading securities, short-term investments and other investments are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation techniques and observable inputs used in their valuation are also similar to those described above. • Contractholder-directed unit-linked investments reported within FVO and trading 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 the fund managers, which were based on observable inputs.	• FVO and trading securities and short-term investments are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation techniques and unobservable inputs used in their valuation are also similar to those described above.
Mortgage Loans — FVO		
Commercial mortgage loans held by CSEs — FVO		
	Valuation Techniques: Principally the market approach. Key Input: • quoted securitization market price of the obligations of the CSEs determined principally by independent pricing services using observable inputs	• N/A
Residential mortgage loans — FVO		
	• N/A	Valuation Techniques: Principally the market approach, including matrix pricing or other similar techniques.

		Key Inputs: Inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data
Separate Account Assets (1)		
Mutual funds and hedge funds without readily determinable fair values as prices are not published publicly	Key Input: • quoted prices or reported NAV provided by the fund managers	• N/A
Other limited partnership interests	• N/A	Valuation Techniques: Valued giving consideration to the underlying holdings of the partnerships and by applying a premium or discount, if appropriate. Key Inputs: • liquidity • bid/ask spreads • the performance record of the fund manager • other relevant variables that may impact the exit value of the particular partnership interest

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(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, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities" and "— Derivatives — Freestanding Derivatives Valuation Techniques and Key Inputs."

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 valuation controls and procedures for derivatives are described in "— Investments."

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 Valuation Techniques and Key Inputs

Level 2

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

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 curve	• swap yield curve	• swap yield curve	• swap yield curve
	• basis curves	• basis curves	• credit curves	• spot equity index levels
	• interest rate volatility (2)	• currency spot rates	• recovery rates	• dividend yield curves
		• cross currency basis curves		• equity volatility
		• currency volatility (2)		
Level 3	• swap yield curve (1)	• swap yield curve (1)	• swap yield curve (1)	• dividend yield curves (1)
	• basis curves (1)	• basis curves (1)	• credit curves (1)	• equity volatility (1)
	• interest rate volatility (1), (2)	• cross currency basis curves (1)	• credit spreads	• correlation between model inputs (2)
		• currency correlation	• repurchase rates	
		• currency volatility (2)	• independent non-binding broker quotations	

(1) Extrapolation beyond the observable limits of the curve(s).
(2) Option-based only.

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 ceded funds withheld on reinsurance. 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 and future policy benefits on the consolidated balance sheets.

The Company’s actuarial department 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, and is performed using standard actuarial valuation software which projects 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 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 previously described in "— Investments — Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities." 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.

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Techniques 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 curve, 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 curve 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 any level are assumed to occur at the beginning of the period.

Transfers between Levels 1 and 2:

For assets and liabilities measured at estimated fair value and still held at March 31, 2015, transfers between Levels 1 and 2 were not significant. For assets and liabilities measured at estimated fair value and still held at December 31, 2014, transfers between Levels 1 and 2 were $160 million.

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.

Transfers into Level 3 for fixed maturity securities and FVO and trading securities were due primarily to a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade) which have resulted in decreased transparency of valuations and an increased use of independent non-binding broker quotations and unobservable inputs, such as illiquidity premiums, delta spread adjustments, or credit spreads.

Transfers out of Level 3 for fixed maturity securities and short-term investments resulted primarily from increased transparency of both new issuances that, subsequent to issuance and establishment of trading activity, became priced by independent pricing services and existing issuances that, over time, the Company was able to obtain pricing from, or corroborate pricing received from, independent pricing services with observable inputs (such as observable spreads used in pricing securities) or increases in market activity and upgraded credit ratings.

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7. 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:

			March 31, 2015			December 31, 2014			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 (3)									
U.S. corporate and foreign corporate	• Matrix pricing	• Delta spread adjustments (4)	(45)	-240	43	(40)	-240	46	Decrease
	• Market pricing	• Quoted prices (5)	6	-531	122	—	750	151	Increase
	• Consensus pricing	• Offered quotes (5)	31	-780	242	31	-126	99	Increase
Foreign government	• Market pricing	• Quoted prices (5)	72	-195	106	92	-189	106	Increase
RMBS	• Market pricing	• Quoted prices (5)	22	-120	96	22	-120	97	Increase (6)
	• Consensus pricing	• Offered quotes (5)	30	-114	94	1	-118	93	Increase (6)
ABS	• Market pricing	• Quoted prices (5)	15	-110	100	15	-110	100	Increase (6)
	• Consensus pricing	• Offered quotes (5)	56	-106	99	56	-106	102	Increase (6)
Derivatives									
Interest rate	• Present value techniques	• Swap yield (7)	256	-271		278	-297		Increase (12)
Foreign currency exchange rate	• Present value techniques	• Swap yield (7)	(50)	-1,597		62	-2,430		Increase (12)
		• Correlation (8)	40%	-54%		40%	-55%		
Credit	• Present value techniques	• Credit spreads (9)	98	-100		98	-100		Decrease (9)
	• Consensus pricing	• Offered quotes (10)							
Equity market	• Present value techniques or option pricing models	• Volatility (11)	11%	-28%		15%	-27%		Increase (12)

		•Correlation (8)	70%	-70%	70%	-70%	
Embedded derivatives Direct and assumed guaranteed minimum benefits	•Option pricing techniques	•Mortality rates:					
		Ages 0 - 40	0%	-0.28%	0%	-0.28%	Decrease (13)
		Ages 41 - 60	0.04%	-0.88%	0.04%	-0.88%	Decrease (13)
		Ages 61 - 115	0.26%	-100%	0.26%	-100%	Decrease (13)
		•Lapse rates:					
		Durations 1 - 10	0.5%	-100%	0.50%	-100%	Decrease (14)
		Durations 11 - 20	2%	-100%	2%	-100%	Decrease (14)
		Durations 21 - 116	2%	-100%	2%	-100%	Decrease (14)
		•Utilization rates	0%	-30%	20%	-50%	Increase (15)
		•Withdrawal rates	0%	-20%	0%	-20%	(16)
		•Long-term equity volatilities	8.88%	-33%	7.30%	-33%	Increase (17)
		•Nonperformance risk spread	(0.15)%	-1.00%	(0.35)%	-0.81%	Decrease (18)

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(1) The weighted average for fixed maturity securities is determined based on the estimated fair value of the securities.

(2) The impact of a decrease in input would have the opposite impact on the estimated fair value. For embedded derivatives, changes are based on liability positions.

(3) Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations.

(4) Range and weighted average are presented in basis points.

(5) Range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.

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7. Fair Value (continued)

(6) Changes in the assumptions used for the probability of default is 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.

(7) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curve is 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.

(8) 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.

(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 March 31, 2015 and December 31, 2014, 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) Changes are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.

(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 contract holders 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.

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7. Fair Value (continued)

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, 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 and long-term debt of CSEs — 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."

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							
	U.S. Corporate	Foreign Corporate	U.S. Treasury and Agency	Foreign Government	RMBS	State and Political Subdivision	CMBS	ABS
	(In millions)							
Three Months Ended March 31, 2015								
Balance, beginning of period	$6,942	$ 6,490	$ —	$ 1,311	$4,383	$ —	$765	$2,244
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	9	—	4	13	—	—	—
Net investment gains (losses)	—	(11)	—	(22)	2	—	—	(7)
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	57	(132)	—	23	(12)	—	(7)	(11)
Purchases (3)	431	178	—	43	509	—	73	868
Sales (3)	(133)	(109)	—	(53)	(240)	—	(119)	(212)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	128	93	—	215	—	2	—	8
Transfers out of Level 3 (4)	(104)	(110)	—	(137)	(110)	—	(68)	(437)
Balance, end of period	$7,321	$ 6,408	$ —	$ 1,384	$4,545	$ 2	$644	$2,453
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ 6	$ —	$ 3	$12	$ —	$—	$1
Net investment gains (losses)	$—	$ —	$ —	$ —	$—	$ —	$—	$—
Net derivative gains (losses)	$—	$ —	$ —	$ —	$—	$ —	$—	$—
Policyholder benefits and claims	$—	$ —	$ —	$ —	$—	$ —	$—	$—

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7. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities		FVO and Trading Securities					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments	Residential Mortgage Loans - FVO
	(In millions)							
Three Months Ended March 31, 2015								
Balance, beginning of period	$95	$ 250	$5	$ 95	$ 455	$12	$ 336	$ 308
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	—	(18)	—	1	22
Net investment gains (losses)	(1)	—	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	2	(4)	—	—	—	—	(1)	—
Purchases (3)	5	4	5	—	108	—	1,332	60
Sales (3)	(5)	—	—	(6)	(145)	(1)	(25)	(49)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(12)
Transfers into Level 3 (4)	1	—	—	—	39	—	—	—
Transfers out of Level 3 (4)	(3)	(6)	—	—	(27)	(1)	(285)	—
Balance, end of period	$94	$ 244	$10	$ 89	$ 412	$10	$ 1,358	$ 329
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ —	$—	$ (1)	$ (15)	$—	$ 1	$ 22
Net investment gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$ —
Net derivative gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$ —
Policyholder benefits and claims	$—	$ —	$—	$ —	$ —	$—	$ —	$ —

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7. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Net Derivatives (6)						
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs — FVO
	(In millions)						
Three Months Ended March 31, 2015							
Balance, beginning of period	$63	$(68)	$12	$(307)	$ 430	$1,922	$ (13)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	36	—
Net derivative gains (losses)	(1)	(14)	(2)	(52)	27	—	—
Policyholder benefits and claims	—	—	—	1	24	—	—
OCI	15	—	—	—	(2)	—	—
Purchases (3)	—	—	—	—	—	231	—
Sales (3)	—	—	—	—	—	(127)	—
Issuances (3)	—	—	—	—	—	—	—
Settlements (3)	(8)	15	—	1	(201)	(1)	1
Transfers into Level 3 (4)	—	—	—	—	—	1	—
Transfers out of Level 3 (4)	—	—	—	—	—	(6)	—
Balance, end of period	$69	$(67)	$10	$(357)	$ 278	$2,056	$ (12)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$—	$—	$—	$—	$ —	$—	$ —
Net investment gains (losses)	$—	$—	$—	$—	$ —	$—	$ —
Net derivative gains (losses)	$(1)	$(11)	$(1)	$(52)	$ 22	$—	$ —
Policyholder benefits and claims	$—	$—	$—	$1	$ 25	$—	$ —

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7. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Fixed Maturity Securities							
	U.S. Corporate	Foreign Corporate	U.S. Treasury and Agency	Foreign Government	RMBS	State and Political Subdivision	CMBS	ABS
	(In millions)							
Three Months Ended March 31, 2014								
Balance, beginning of period	$7,148	$ 6,704	$ 62	$ 2,235	$2,957	$ 10	$972	$4,210
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	9	—	6	10	—	—	5
Net investment gains (losses)	(7)	—	—	(6)	8	—	1	(43)
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	160	120	—	14	(12)	—	(25)	75
Purchases (3)	651	471	25	74	571	—	103	652
Sales (3)	(206)	(109)	—	(52)	(192)	—	(155)	(315)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	459	435	—	231	147	21	24	578
Transfers out of Level 3 (4)	(827)	(1,129)	(42)	(957)	(50)	(10)	(238)	(2,362)
Balance, end of period	$7,378	$ 6,501	$ 45	$ 1,545	$3,439	$ 21	$682	$2,800
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ 9	$ —	$ 5	$10	$ —	$—	$—
Net investment gains (losses)	$(7)	$ —	$ —	$ —	$(1)	$ —	$—	$—
Net derivative gains (losses)	$—	$ —	$ —	$ —	$—	$ —	$—	$—
Policyholder benefits and claims	$—	$ —	$ —	$ —	$—	$ —	$—	$—

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)
7. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities		FVO and Trading Securities					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments	Residential Mortgage Loans - FVO
	(In millions)							
Three Months Ended March 31, 2014								
Balance, beginning of period	$177	$ 395	$12	$ 29	$ 603	$—	$ 254	$ 338
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	—	14	—	1	3
Net investment gains (losses)	19	—	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	(8)	6	—	—	—	—	(1)	—
Purchases (3)	3	—	11	—	237	—	947	28
Sales (3)	(26)	—	(5)	—	(300)	(1)	(59)	(5)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(12)
Transfers into Level 3 (4)	38	40	—	—	96	12	—	—
Transfers out of Level 3 (4)	—	—	(7)	—	(26)	—	(110)	—
Balance, end of period	$203	$ 441	$11	$ 29	$ 624	$11	$ 1,032	$ 352
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ —	$—	$ —	$ 14	$—	$ 1	$ 3
Net investment gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$ —
Net derivative gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$ —
Policyholder benefits and claims	$—	$ —	$—	$ —	$ —	$—		