

June 2011



Metropolitan Life Insurance Company

MetLife Insurance Co. of Connecticut

Credit Summary Report

State of Domicile: New York
Holding Company: MetLife Inc.
Type: Stock
Incorporated: 1868

Ratings as of: June 2011
Moody's: Aa3
S & P: AA-
Fitch: AA-

Metropolitan Life Insurance Company is the primary subsidiary of holding company MetLife Inc (MET), which was created through the demutualization of MetLife in April of 2000. The parent company, through its affiliates and subsidiaries, is a leading provider of insurance and other financial services to a broad spectrum of individual and institutional customers in the United States. MET has significant operating scale with leading positions in both individual and group life insurance, a diversified distribution system with a large career agency sales force, solid capital adequacy, a diversified business mix, and strong earnings capacity. MetLife also has international insurance operations in Asia Pacific, Latin America, the Middle East and Europe. In November 2010, MetLife acquired American Life Insurance Co (ALICO) from AIG, which provides MetLife with key market positions in Japan and eastern Europe that complement MET's current international footprint. The addition will expand the international business' contribution to overall revenues to 30% and represent 40% of MetLife's operating earnings in 2011. The rating agencies issued a negative outlook for MetLife, attributed to execution and integration risks associated with the ALICO acquisition. MetLife recently announced that it would discontinue sales of long term care insurance policies after determining that continued low interest rates combined with higher than expected policy persistency was inconsistent with pricing expectations. The LTC business represented less than 3% of reserves, premiums, and earnings and its discontinuation will not materially impact MET's overall credit quality.

MET reports under three primary business segments: US Business (including Insurance, Retirement, Corporate Benefit Funding, and Auto & Home) which accounted for 84% of total FY10 revenue, International (primarily life and general insurance) at 12% of revenue, and Banking, Corporate & Other (includes investment business) at 4% of revenue. During FY10, MET posted strong operating earnings of \$3.9b (+63% y/y) on revenues of \$53b (+8% y/y), driven by strong sales of annuities and retirement products, favorable investment results, and higher fee income, partially offset by adverse amortization of deferred acquisition costs and unfavorable claims experience from catastrophe losses and adverse mortality. At 1Q11 MET reported operating earnings of \$1.4b on revenues of \$15.8b, representing y-o-y growth of 64% and 22% respectively. The exceptional performance was driven by strong results in the international division with the addition of ALICO, strong consolidated premium and fee growth (+27% y/y), robust annuity sales and solid investment income. Somewhat holding back results were weak underwriting margins in the individual life insurance business attributed to adverse mortality experience, and weak sales in group life and non-medical health, and corporate benefit funding businesses due to high unemployment. Profitability as measured by operating ROE was solid at 11.5%, an 180bp improvement over prior year and favorable when compared to peers. Net investment income increased 14% y/y, driven by good results in private equity, securities lending, hedge funds, and mortgage prepayments.

During 1Q11, operating income growth in the domestic businesses was respectable, including Insurance Products (+17% y/y), Retirement Products (+5%), and Corporate Benefit Funding (+31%). Strong variable investment income, robust variable annuity sales, good group life and non-medical health underwriting results, and higher AUM and

fee income were the primary drivers of the solid performance. The lone exception was Auto & Home (-21% y/y) which suffered from higher claims and catastrophe losses due to severe weather in the Northeast. The International business (2.9x growth over 1Q10) benefited from the ALICO acquisition, as well as strong performance in the Latin America and Asia Pacific regions. International accounted for 40% of MET's consolidated operating earnings, up from 14% prior to the addition of ALICO. In the current quarter, MET reported strong sales of life and A&H insurance products in Japan, solid life insurance sales in Korea, and higher demand for group life, A&H, non-medical health, and institutional products in Latin America. MET anticipates that claims from the Japanese earthquake will result in \$45-65mm of after-tax losses during Q2, which is manageable.

MET held \$463b in invested assets at YE10, with 71% allocation to fixed income securities; 92% of which are investment grade. The company has above-average allocation to higher risk assets, including CMBS (6% of FI, 94% rated A or better), RMBS (14%, 81% rated A or better), and commercial mortgage loans (16%). MET also has a \$550mm bond holding in Japanese nuclear power plant operator TEPCO and \$1.6b in sovereign debt exposure of troubled European countries (Portugal, Ireland, Italy, Greece, Spain). Impairments on fixed income securities totaled \$450mm during FY10, down from \$1.5b of impairment losses the previous year. MET also posted fewer gross unrealized losses than a year ago (-37%) and had net unrealized gains of \$7.3b, which is a reversal of \$2.1b in unrealized losses at YE09, driven by improvement in the financial markets which has significantly alleviated much of the pressure on MET's fixed income investment portfolio.

Capital adequacy remains strong at an RBC ratio of 450%, representing \$8.5b of excess capital. The propensity of management to seek acquisitions and aggressively deploy capital could have a negative impact on capital adequacy, but contributions from the parent, issuance of surplus notes and curtailment of dividends to the holding company should mitigate capital concerns at the operating subsidiary level. Shareholders' equity improved by 46% y/y to \$49b, driven by earnings growth, unrealized gains, and equity issuance (\$3.6b) during the year. Financial leverage as measured by debt-to-capital remains high at roughly 34%, but debt levels are expected to decline with contribution of additional cash flows from ALICO. MET had YE10 consolidated cash and short term investments totaling \$19.5b, which covers near term debt obligations by 1.3x.

MetLife has top-tier positions in institutional, individual insurance, life and annuities, which has allowed the company to gain market share from flight to quality during the credit crisis. Overall sales and flows are likely to be mixed in the near term, marked by strong growth in the retirement and international businesses but weakness in group life and non-medical health due to persistently high unemployment. While the acquisition of ALICO from AIG should contribute significantly to the company's international earnings and overall growth, integration costs, reduced cashflow coverage, and possible integration setbacks could hinder progress and possibly result in negative ratings activity. Overall, MET's diversified distribution system, substantial capital base, and diversified business mix with strong earnings potential provide stability.

Metropolitan Life Insurance Company

MetLife Insurance Co. of Connecticut

Strengths:

- Very strong competitive position, reflecting diversified distribution and strong brand recognition
- Strong revenue and earnings diversification in individual, group, and international products
- Strong statutory capitalization at the U.S. operating life insurance companies
- Market leader in individual and group life, individual annuities, and non-medical health

Weaknesses:

- Execution and integration risks associated with ALICO acquisition
- Constrained financial flexibility, driven by weakened cash flow coverage due to earnings volatility and high financial leverage
- Considerable exposure to interest rate risk and capital market volatility in its investment portfolio and in embedded product guarantees

Key Statistics – Metropolitan Life Insurance Co.

(\$ millions)	2010	2009	2008	2007	2006	CAGR/Avg
General Account Assets	228,232	218,402	224,148	219,050	208,983	2.23%
Separate Account Assets	87,972	71,173	65,430	78,416	71,575	5.29%
Total Assets	316,204	289,575	289,578	297,466	280,558	3.04%
Capital & Surplus	13,217	12,634	11,592	13,004	9,198	9.49%
NET GFO	2,189	1,872	552	2,070	1,296	14.00%
Net Income	2,066	1,221	(338)	2,123	1,027	19.09%
Return on Assets (Stat.)	0.65%	0.42%	-0.12%	0.71%	0.37%	0.41%
Return on Capital (Stat.)	15.63%	9.66%	-2.92%	16.33%	11.17%	9.97%
RBC Ratio (ACL)	850.0%	827.5%	755.4%	766.7%	652.6%	770.4%

Key Statistics - MetLife Insurance Co. of Connecticut

(\$ millions)	2010	2009	2008	2007	2006	CAGR/Avg
General Account Assets	44,019	42,232	48,208	49,537	45,580	-0.87%
Separate Account Assets	24,678	25,001	21,621	33,684	20,796	4.37%
Total Assets	68,697	67,233	69,829	83,221	66,376	0.86%
Capital & Surplus	5,105	4,929	5,471	4,208	4,090	5.70%
NET GFO	517	660	715	1,026	790	-10.06%
Net Income	668	81	242	1,101	749	-2.82%
Return on Assets (Stat.)	0.97%	0.12%	0.35%	1.32%	1.13%	0.78%
Return on Capital (Stat.)	13.09%	1.64%	4.42%	26.16%	18.31%	12.73%
RBC Ratio (ACL)	1020.1%	914.5%	892.6%	701.3%	827.3%	871.2%

Sources: Company Reports and SEC filings

BNY Mellon Asset Management is one of the world's leading asset management organizations, encompassing BNY Mellon's affiliated investment management firms and global distribution companies. BNY Mellon is the corporate brand for The Bank of New York Mellon Corporation. BNY Mellon Cash Investment Strategies (CIS) is a division of The Dreyfus Corporation.

Information contained in this report has been obtained from sources which Dreyfus believes to be accurate and reliable, but Dreyfus does not warrant the accuracy of information contained herein. All opinions and estimates in this report constitute the best judgment of Dreyfus as of the date hereof, but are subject to change without notice. This information is for your use only and is not a solicitation or recommendation to buy or sell any financial instrument. Dreyfus is not rendering legal, accounting or investment management advice through this report; readers should contact their own professional advisors for such information.