



STANDISH



Metropolitan Life Insurance Company

MetLife Insurance Company of Connecticut
MetLife Life & Annuity Company of Connecticut

RATING: Q2
Other Ratings as of: December 2008
Moody's: Aa2
S & P: AA
Best: A+

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

Metropolitan Life Insurance Company (MetLife) is the primary subsidiary of holding company, MetLife, Inc., which was created in 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. MetLife, Inc. also has international insurance operations in Asia Pacific, Latin America and Europe. The company is organized into five major business segments: Individual, Institutional, Auto & Home, International and Reinsurance.

In July of 2005, MetLife, Inc. completed its acquisition of Citigroup's Travelers Insurance Company and substantially all of Citigroup's international insurance businesses for \$11.8 billion in cash and stock. The combination created the largest seller of individual life insurance policies in North America, the third largest provider of retail annuities and the largest provider of institutional annuities. An essential component of the deal was a ten-year distribution agreement between Citigroup and MetLife, under which MetLife's products gained access to certain distribution channels, including Smith Barney, Citibank branches, and Primerica. The added international operations included wholly owned insurance companies in the United Kingdom, Belgium, Hong Kong, Australia and Brazil, among others. Standish evaluates MetLife and Travelers (The MetLife Companies) on a consolidated basis due to their closely related operations.

Besides the acquisition of the Travelers companies, MetLife has made several other acquisitions and alliances to increase its size and scale in its core products and to expand its distribution capabilities. This includes a recent partnership with Wachovia Securities to bolster its bank channel distribution for variable annuities. MetLife has also made small acquisitions of insurance blocks, like its purchase of John Hancock's group life unit in June 2003. The firm has similarly made a few acquisitions on an international level in previous years, including Aseguradora Hidalgo, Mexico's largest life insurer. Similar deals have been made in South America to expand operations into Chile, Brazil, Argentina and Uruguay. In 2001, the company also received a license to sell insurance in China. Thus, combined with the Citigroup international operations there is a strong focus on international growth and MetLife expects that international business will contribute significantly to earnings in future years.

The MetLife Companies had very strong statutory net gains of operations in 2007, reporting an aggregate \$3.1 billion, improved from \$2.2 billion in 2006. The increase in statutory income was led by the individual annuity business line, which reported a net gain in 2007 of \$1.3 billion compared to \$470 million in 2006. The companies' also reported a net gain in the individual life

business line for the first time in 4 years of \$366 million. These strong earnings translated into improving margins for the companies, raising the return on assets to 1.22% and the return on equity to 20.64%. These figures are both higher than our peer group average of 0.90% and 11.91%, respectively. Unlike earnings, the companies' cash flow generation did not rebound back to its pre-2006 form. Net cash flow from operations steadied to \$2.9 billion in 2007 from \$2.9 billion in 2006, but significantly off of \$5.3 billion in 2005.

The MetLife Companies hold a slightly more risky investment portfolio compared to our peer group average. Bonds represent 68.3% of invested assets and mortgage loans represent 16.82% of invested assets compared to our peer group averages of 70.8% and 13.9%, respectively. Non-investment grade bond exposure continued to be high at 6.0% compared to our peer group average of 5.2%. The companies' increased their holdings of preferred stock to 4.0% of invested assets from 3.7% in 2006. While the holdings of common stock are low at 1.7%, the companies' only hold 43.9% of it through affiliated stock compared to the peer group average of 71.3%. The other significant holding is alternative assets and it increased to 6.4% in 2007 from 5.2% in 2006 compared to our peer group average of 5.8%.

Historically, MetLife has been one of the more thinly capitalized insurance companies in our universe while the Travelers companies have been at the other end of the spectrum. Since acquiring the Travelers companies, the aggregate risk-adjusted surplus ratio (RASR) has tipped more toward the typical MetLife RASR. By year-end 2007, the combined RASR was 134.5% compared to our average of 163.4%. The aggregate capital and surplus position increased significantly to \$15.0 billion from \$12.6 billion in 2006, mainly due to a substantial decrease in parent company dividends in 2007 and an increase in net income. After distributing \$1.8 billion in 2006, the MetLife Companies paid out just \$786 million to its parent company in 2007. The companies' eliminated all debt obligations in 2007, while the companies' had \$2.2 billion in surplus notes outstanding to support its capital needs. For additional liquidity needs, the MetLife Companies are amply covered with committed and unsecured credit facilities and a commercial paper program.

The MetLife Companies are positioned very nicely to dominate their target markets, especially given the strength of the proven brand name and the distribution capabilities the combined entity possess. Offsetting these positives, are a below average aggregate capitalization level and substantial distributions to the parent company in recent years. Still, we find the MetLife Companies deserving of a Q2 rating in our Standish Stable Value Universe.

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Strengths:

- Strong brand recognition and established market presence
- Added distribution capabilities through agreement with Citigroup
- Focus on international diversification, catalyst for growth
- Stable growth, high level of profitability
- Good quality investment portfolio, improving risk profile

Weaknesses:

- Weaker capitalization than its peers
- Shareholder pressures may call for future significant dividend payments by insurance subsidiaries to the parent company
- Significant decline in net cash from operations

Key Statistics — Metropolitan Life Insurance Company

(\$ millions)	2007	2006	2005	2004	2003	CAGR/ Average
General Account Assets	219,050	208,983	186,292	184,362	175,212	5.74%
Separate Account Assets	78,416	71,575	64,064	59,874	53,914	9.82%
Total Assets	297,466	280,557	250,356	244,236	229,126	6.74%
Capital and Surplus	11,013	7,800	7,241	7,957	7,130	11.48%
Net GFO	2,070	1,296	1,342	2,535	1,495	8.47%
Net Income	2,123	1,027	2,155	2,648	2,169	-0.53%
Return on Assets (Stat.)	0.99%	0.52%	1.16%	1.47%	1.31%	1.09%
Return on Equity (Stat.)	19.13%	11.52%	24.71%	31.56%	28.99%	23.18%
Risk Adjusted Surplus Ratio	127.0%	104.6%	111.9%	123.2%	114.8%	116.3%

Source: Annual Regulatory Financial Statements

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(\$ millions)	2007	2006	2005	2004	2003	CAGR/ Average
General Account Assets	49,537	49,723	51,661	51,056	46,152	1.79%
Separate Account Assets	33,684	36,107	36,114	35,958	31,107	2.01%
Total Assets	83,222	85,830	87,775	87,014	77,259	1.88%
Capital and Surplus	4,008	4,830	4,864	8,828	8,101	-16.13%
Net GFO	1,026	937	822	712	946	2.06%
Net Income	1,101	856	1,000	764	972	3.16%
Return on Assets (Stat.)	2.22%	1.69%	1.95%	1.57%	2.20%	1.92%
Return on Equity (Stat.)	24.36%	17.67%	14.61%	9.02%	12.59%	15.65%
Risk Adjusted Surplus Ratio	163.0%	206.4%	221.5%	228.7%	220.8%	208.1%

Source: Annual Regulatory Financial Statements



► A BNY MELLON ASSET MANAGEMENT COMPANYSM

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