

METLIFE INC
Form 10-Q
November 06, 2017

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

Form 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

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 (I.R.S. Employer
incorporation or organization) 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 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 No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At October 25, 2017, 1,052,299,271 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 global 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 global financial and capital market risks, including as a result of the United Kingdom’s notice of withdrawal from the European Union, other disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (4) impact on us of comprehensive financial services regulation reform, including potential regulation of MetLife, Inc. 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) unanticipated or adverse developments that could adversely affect our achieving expected operational or other benefits from the separation of Brighthouse Financial, Inc. and its subsidiaries (“Brighthouse”); (9) our equity market exposure to Brighthouse Financial, Inc. following the separation of Brighthouse; (10) liabilities, losses or indemnification obligations arising from our transitional services, investment management or tax arrangements or other agreements with Brighthouse; (11) failure of the separation of Brighthouse to qualify for intended tax-free treatment; (12) our ability to address difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from (a) business acquisitions and integrating and managing the growth of such acquired businesses, (b) dispositions of businesses via sale, initial public offering, spin-off or otherwise, including failure to achieve projected operational benefit from such transactions and any restrictions, liabilities, losses or indemnification obligations arising from any transitional services or tax arrangements related to the separation of any business, or from the failure of such a separation to qualify for any intended tax-free treatment, (c) entry into joint ventures, or (d) legal entity reorganizations; (13) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (14) investment losses and defaults, and changes to investment valuations; (15) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (16) impairments of goodwill and realized losses or market

value impairments to illiquid assets; (17) defaults on our mortgage loans; (18) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (19) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (20) downgrades in our claims paying ability, financial strength or credit ratings; (21) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (22) availability and effectiveness of reinsurance, hedging or indemnification arrangements, as well as any default or failure of counterparties to perform; (23) differences between actual claims experience and underwriting and reserving assumptions; (24) ineffectiveness of risk management policies and procedures; (25) catastrophe losses; (26) increasing cost and limited market capacity for statutory life insurance reserve financings; (27) 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; (28) 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 any adjustment for nonperformance risk; (29) legal, regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (30) MetLife, Inc.'s and its subsidiary holding companies' primary reliance, as holding companies, on dividends from subsidiaries to meet free cash flow targets and debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (31) 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; (32) changes in accounting standards, practices and/or policies; (33) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (34) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (35) difficulties in marketing and distributing products through our distribution channels; (36) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (37) 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; (38) any failure to protect the confidentiality of client information; (39) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (40) 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 filings, news 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 U.S. Securities and Exchange Commission, and any references to our website are intended to be inactive textual references only.

Note Regarding Reliance on Statements in Our Contracts

See "Item 6. Exhibits — 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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Part I — Financial Information

Item 1. Financial Statements

MetLife, Inc.

Interim Condensed Consolidated Balance Sheets

September 30, 2017 (Unaudited) and December 31, 2016

(In millions, except share and per share data)

	September 30, 2017	December 31, 2016
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$286,684 and \$271,701, respectively)	\$ 308,894	\$ 289,563
Equity securities available-for-sale, at estimated fair value (cost: \$2,386 and \$2,464, respectively)	2,776	2,894
Fair value option securities, at estimated fair value (includes \$7 and \$8, respectively, relating to variable interest entities)	16,538	13,923
Mortgage loans (net of valuation allowances of \$316 and \$304, respectively; includes \$564 and \$566, respectively, under the fair value option)	68,057	65,167
Policy loans	9,585	9,511
Real estate and real estate joint ventures (includes \$61 and \$59, respectively, of real estate held-for-sale)	9,486	8,891
Other limited partnership interests (includes \$0 and \$14, respectively, relating to variable interest entities)	5,501	5,136
Short-term investments, principally at estimated fair value	7,217	6,523
Other invested assets (includes \$133 and \$31, respectively, relating to variable interest entities)	17,652	19,303
Total investments	445,706	420,911
Cash and cash equivalents, principally at estimated fair value (includes \$9 and \$1, respectively, relating to variable interest entities)	13,023	12,651
Accrued investment income	3,692	3,308
Premiums, reinsurance and other receivables (includes \$3 and \$2, respectively, relating to variable interest entities)	18,588	15,445
Deferred policy acquisition costs and value of business acquired	18,399	17,590
Current income tax recoverable	3	20
Goodwill	9,556	9,220
Assets of disposed subsidiary	—	216,983
Other assets (includes \$3 and \$3, respectively, relating to variable interest entities)	8,149	7,058
Separate account assets	203,399	195,578
Total assets	\$ 720,515	\$ 898,764
Liabilities and Equity		
Liabilities		
Future policy benefits	\$ 176,005	\$ 166,701
Policyholder account balances	182,513	173,168
Other policy-related balances	15,026	13,030
Policyholder dividends payable	730	696
Policyholder dividend obligation	2,201	1,931
Payables for collateral under securities loaned and other transactions	27,132	25,873
Short-term debt	214	242

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Long-term debt (includes \$6 and \$12, respectively, at estimated fair value, relating to variable interest entities)	16,688	16,441
Collateral financing arrangement	1,220	1,274
Junior subordinated debt securities	3,144	3,169
Liabilities of disposed subsidiary	—	202,707
Deferred income tax liability	8,554	6,774
Other liabilities	26,745	23,700
Separate account liabilities	203,399	195,578
Total liabilities	663,571	831,284
Contingencies, Commitments and Guarantees (Note 14)		
Equity		
MetLife, Inc.'s stockholders' equity:		
Preferred stock, par value \$0.01 per share; \$2,100 aggregate liquidation preference	—	—
Common stock, par value \$0.01 per share; 3,000,000,000 shares authorized; 1,167,535,225 and 1,164,029,985 shares issued, respectively; 1,054,286,620 and 1,095,519,005 shares outstanding, respectively	12	12
Additional paid-in capital	31,066	30,944
Retained earnings	24,410	34,480
Treasury stock, at cost; 113,248,605 and 68,510,980 shares, respectively	(5,779) (3,474)
Accumulated other comprehensive income (loss)	7,005	5,347
Total MetLife, Inc.'s stockholders' equity	56,714	67,309
Noncontrolling interests	230	171
Total equity	56,944	67,480
Total liabilities and equity	\$ 720,515	\$ 898,764
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 and Nine Months Ended September 30, 2017 and 2016 (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
Revenues				
Premiums	\$ 10,876	\$ 9,839	\$ 29,421	\$ 27,956
Universal life and investment-type product policy fees	1,428	1,341	4,152	4,127
Net investment income	4,295	4,609	12,909	12,527
Other revenues	301	356	935	1,309
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(6)	(4)	(8)	(74)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	1	(5)	1	(9)
Other net investment gains (losses)	(601)	240	(432)	681
Total net investment gains (losses)	(606)	231	(439)	598
Net derivative gains (losses)	(190)	(543)	(663)	1,438
Total revenues	16,104	15,833	46,315	47,955
Expenses				
Policyholder benefits and claims	10,645	9,612	28,923	27,394
Interest credited to policyholder account balances	1,338	1,544	4,081	3,819
Policyholder dividends	302	302	925	924
Other expenses	3,318	3,216	9,904	10,296
Total expenses	15,603	14,674	43,833	42,433
Income (loss) from continuing operations before provision for income tax	501	1,159	2,482	5,522
Provision for income tax expense (benefit)	(392)	135	(148)	1,253
Income (loss) from continuing operations, net of income tax	893	1,024	2,630	4,269
Income (loss) from discontinued operations, net of income tax	(968)	(451)	(989)	(1,379)
Net income (loss)	(75)	573	1,641	2,890
Less: Net income (loss) attributable to noncontrolling interests	6	(4)	12	2
Net income (loss) attributable to MetLife, Inc.	(81)	577	1,629	2,888
Less: Preferred stock dividends	6	6	58	58
Net income (loss) available to MetLife, Inc.'s common shareholders	\$(87)	\$571	\$1,571	\$2,830
Comprehensive income (loss)	\$(182)	\$(463)	\$4,623	\$11,809
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	10	(3)	16	97
Comprehensive income (loss) attributable to MetLife, Inc.	\$(192)	\$(460)	\$4,607	\$11,712
Income (Loss) from Continuing Operations:				
Basic		\$0.83	\$0.93	\$2.38
Diluted		\$0.82	\$0.92	\$2.36
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:				
Basic		\$(0.08)	\$0.52	\$1.46
Diluted		\$(0.08)	\$0.51	\$1.45
Cash dividends declared per common share		\$0.400	\$0.400	\$1.200
See accompanying notes to the interim condensed consolidated financial statements.				

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MetLife, Inc.

Interim Condensed Consolidated Statements of Equity

For the Nine Months Ended September 30, 2017 and 2016 (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. Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2016	\$ —	\$ 12	\$ 30,944	\$ 34,480	\$(3,474)	\$ 5,347	\$ 67,309	\$ 171	\$ 67,480
Treasury stock acquired in connection with share repurchases					(2,305)		(2,305)		(2,305)
Stock-based compensation			122				122		122
Dividends on preferred stock				(58)			(58)		(58)
Dividends on common stock				(1,295)			(1,295)		(1,295)
Distribution of Brighthouse (Note 3)				(10,346)		(1,320)	(11,666)		(11,666)
Change in equity of noncontrolling interests							—	43	43
Net income (loss)				1,629			1,629	12	1,641
Other comprehensive income (loss), net of income tax						2,978	2,978	4	2,982
Balance at September 30, 2017	\$ —	\$ 12	\$ 31,066	\$ 24,410	\$(5,779)	\$ 7,005	\$ 56,714	\$ 230	\$ 56,944
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2015	\$ —	\$ 12	\$ 30,749	\$ 35,519	\$(3,102)	\$ 4,771	\$ 67,949	\$ 470	\$ 68,419
Treasury stock acquired in connection with share repurchases					(70)		(70)		(70)
Stock-based compensation			48				48		48
Dividends on preferred stock				(58)			(58)		(58)
Dividends on common stock				(1,295)			(1,295)		(1,295)
Change in equity of noncontrolling interests									