

MetLife®

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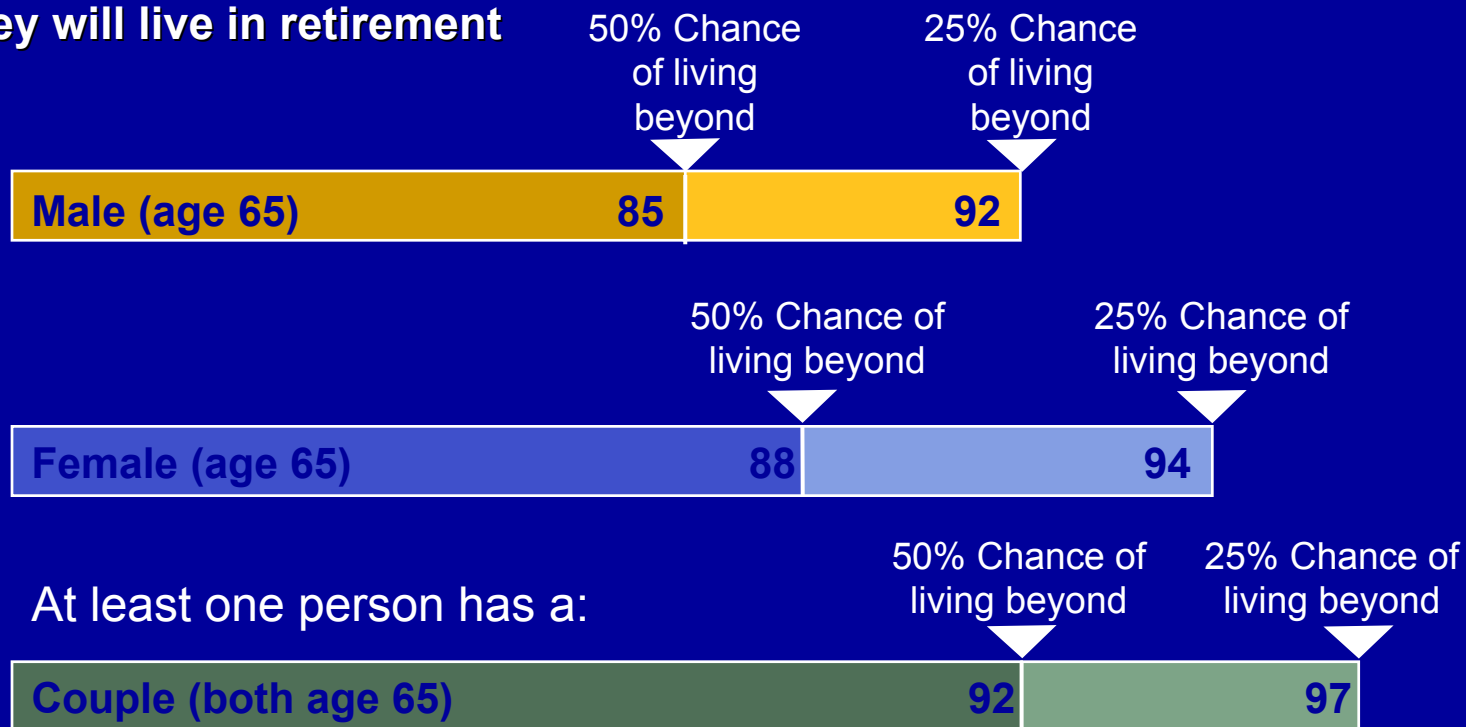
Individual Variable Annuities

Smith Barney Investors Seminar

September 11, 2003

The Problem

Many people greatly underestimate the time they will live in retirement



The Problem

- Responsibility has shifted to the individual
 - **Number of Define Benefit plans has decreased by 50% in last 20 years***
 - **Social Security accounts for just 38% of total income for retired people age 65 or older****
 - **401(k) plans often don't provide for lifetime income**

Source:

*** Department of Labor Pension and Welfare Administration**

****Social Security Administration, January, 2003**

A Solution : Guaranteed Minimum Income Benefit

GMIB Market Needs Addressed:

- **Provides investing confidence**
- **Provides option for life time income**
- **Provides opportunity to keep pace with inflation with downside protection**

GMIB Client Profile:

- **Individuals that wish to maintain standard of living**
- **Individuals who seek investment risk protection**
- **Individuals concerned about outliving income**
- **Individuals wanting flexibility and investment control**



The Protection Features...

MetLife®

Protecting Income

Guaranteed Minimum Income Benefit

WHAT IS IT?

An optional feature designed to provide a **predictable level of future retirement income** regardless of investment performance or actual account value

HOW DOES IT PROTECT INVESTORS?

Uses two separate Income Bases from which a guaranteed future income can be calculated

- *One that steps up periodically to lock in the gains of a bull market, and*
- *Another that offers a “floor” to help protect against the downside of a bear market*



The Protection Features...

MetLife®

Protecting Income

The 1st Income Base...

Compounding Income Base

- Protects income against a bear market
- Predictable from day 1
- An amount equal to purchase payments is compounded annually until the contract anniversary prior to the owner's 81st birthday.
- The Income Base is adjusted for any withdrawals.





The Protection Features...

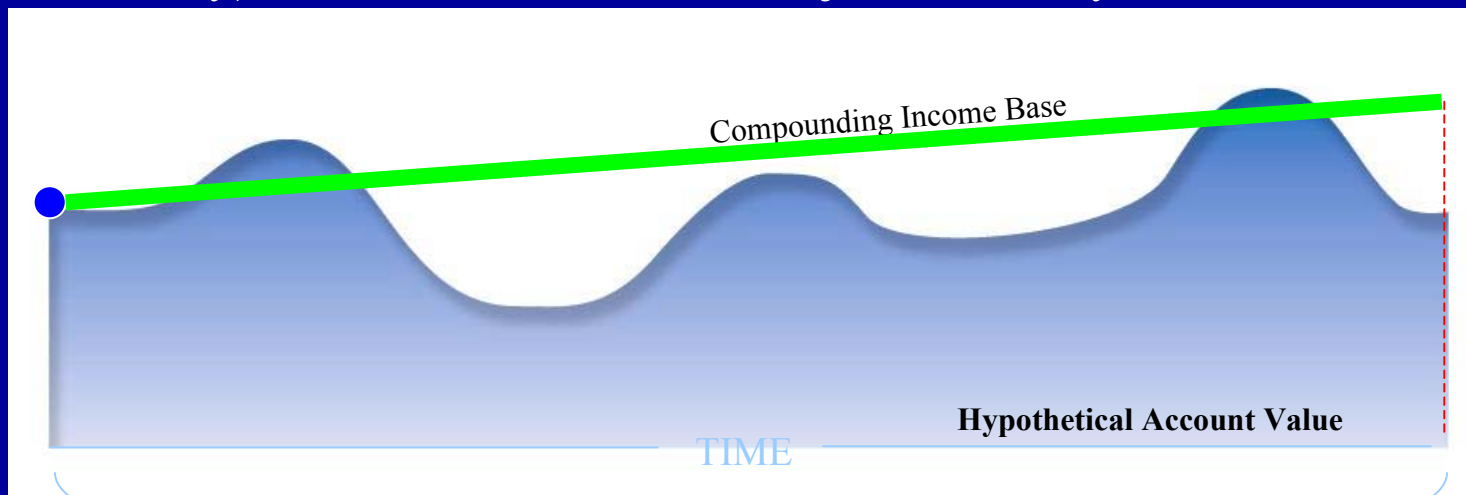
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Protecting Income

The 1st Income Base...

The Compounding Income Base

An amount equal to purchase payments is compounded annually (until the contract anniversary prior to the owner's 81st birthday) and the Income Base is adjusted for any withdrawals.



Pay-In



The Protection Features...

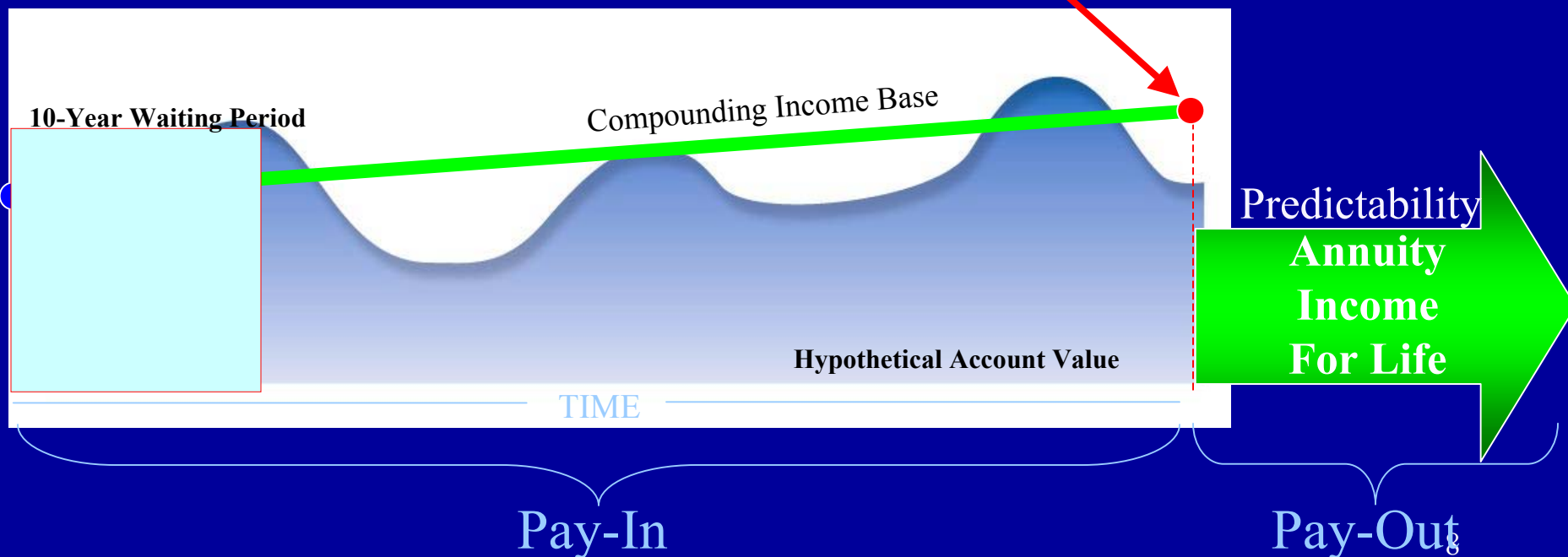
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Protecting Income

The 1st Income Base...

The Compounding Income Base

Income Base is applied to special GMIB annuity purchase factors to determine lifetime income – it is not cash or an account value





The Protection Features...

MetLife®

Protecting Income

The 2nd Income Base...

Highest Anniversary Value Income Base

- Locks in bull market gains to determine retirement income
- Secures an amount equal to the highest account value achieved on any prior contract anniversary before the owner's 81st birthday
- The Income Base is adjusted for any withdrawals or purchase payments





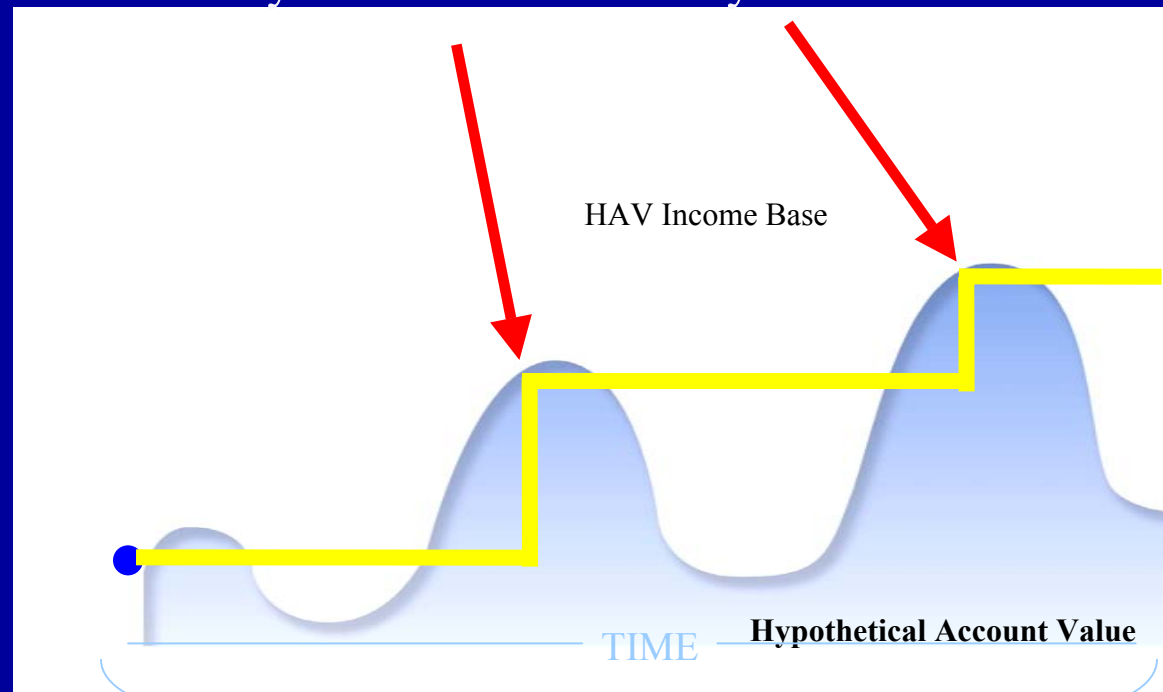
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Protecting Income

The 2nd Income Base...

The Highest Anniversary Value Income Base

Locks in an amount equal to the highest account value achieved on any contract anniversary before the owner's 81st birthday



Pay-In



The Protection Features...

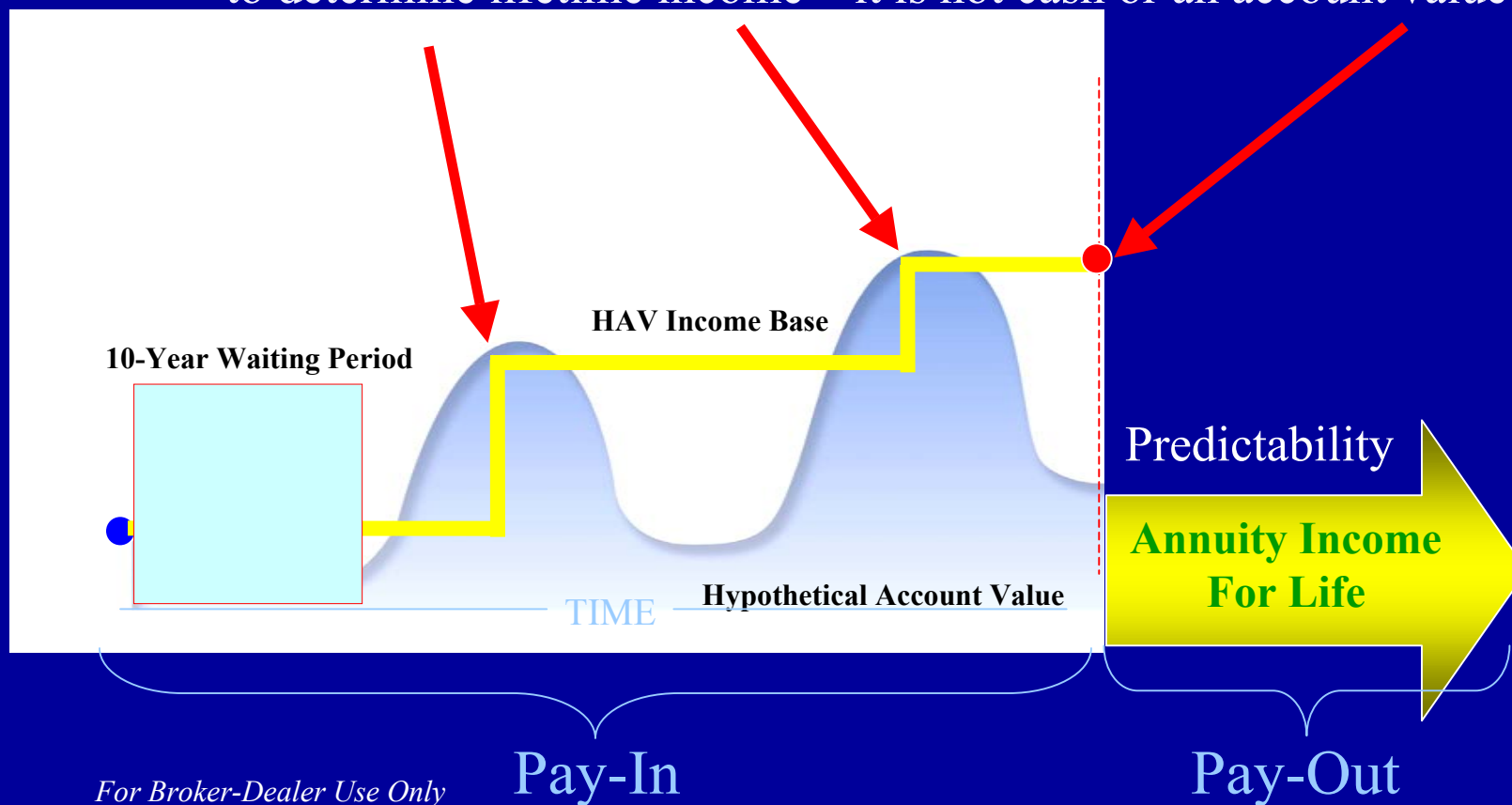
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Protecting Income

The 2nd Income Base...

The Highest Anniversary Value Income Base

Income Base is applied to special GMIB annuity purchase factors to determine lifetime income – it is not cash or an account value



For Broker-Dealer Use Only



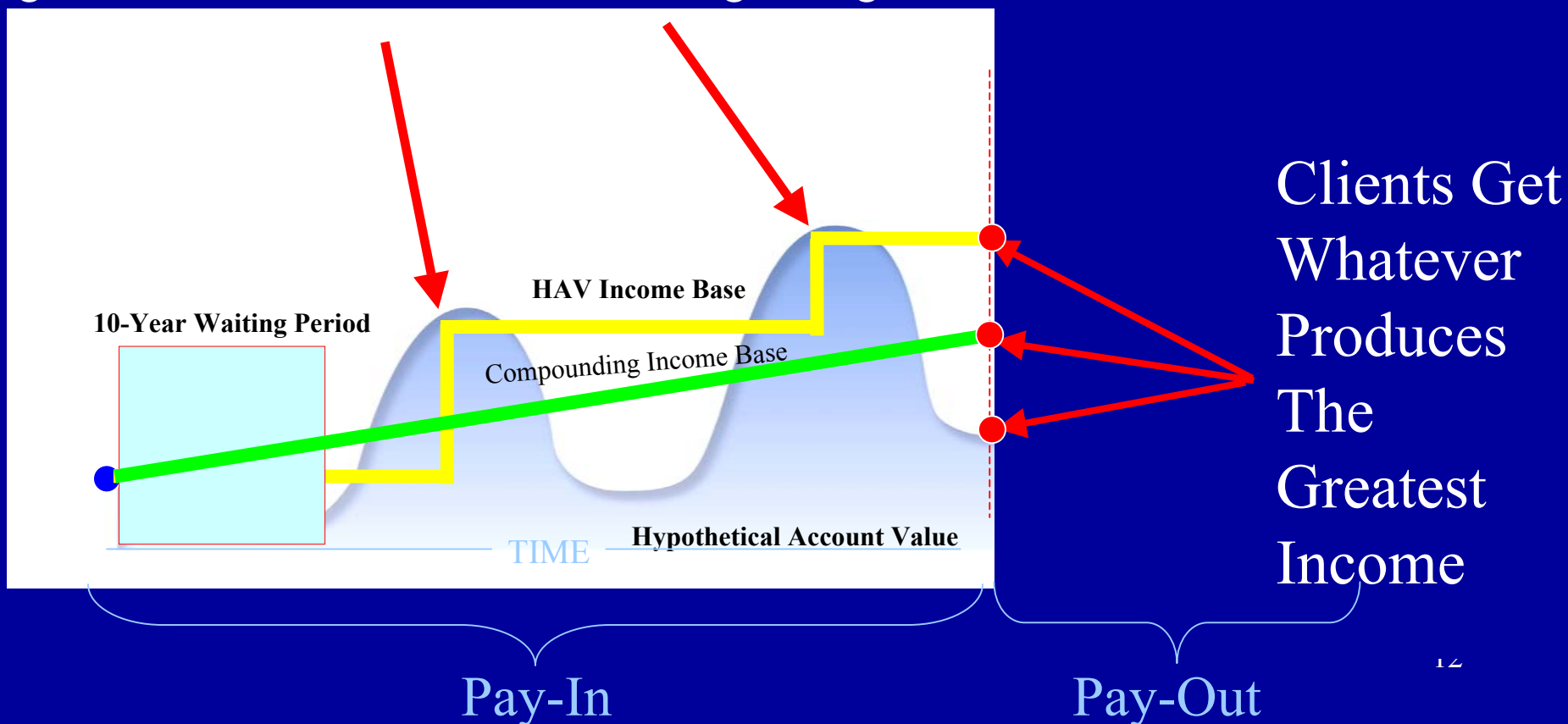
The Protection Features...

MetLife®

Protecting Income

2 Income Bases Working Together

If current annuity purchase factors, applied to the account value, would produce a greater amount of income, then clients get the greater amount



Product Design Risk Mitigation

- If the past is an indication:
 - Over long-term STOCKS outperform BONDS that outperform Cash
 - GMIB has a minimum 10 year investment horizon allowing the client to realize “long-term investment returns”
- Hedge against longevity and low interest rates
 - 7 year setback in age (75 year old becomes a 68 year old) reflected in guaranteed annuity purchase rates.
 - GMIB utilizes a 2 ½% long-term interest rate to provide “life time” income payments
- Diversified Asset Allocation through Morningstar models
- Company “Dollar Cost Averages” as client purchases and exercises GMIB
- Limit “dollar for dollar” withdrawals

GMIB - Pricing Methodology

- Generated 1000 robust stochastic scenarios of stock returns and interest rates, over a 20 year time horizon
- For each scenario, modeled:
 - Policyholder behavior -- withdrawals, utilization of dollar-for-dollar corridor, GMIB annuitizations, etc.
 - Policy values -- AV, GMIB Income Base, Annuity Payout Rates
 - PV of GMIB Fees and GMIB Claims
 - Difference is Net Gain/(Loss)
 - Economic Capital
 - ROI

GMIB - Capital

Economic Capital

- 4 standard deviations of change in market value over a one-year period
- Depends on in-the-money ratio, payout annuity rates, waiting period, and age

Statutory RBC

- Methodology not yet finalized by industry working group
- 90th percentile Conditional Tail Expectation of PV of Stat Surplus
- MetLife targets Stat surplus at 300% RBC
- Initial testing indicates 300% RBC is generally similar to Economic Capital

Results of Return on Investment (ROI) for 1000 stochastic scenarios:

Average ROI 15%

Median ROI 18%

Probability ROI > 15% 70%

Probability ROI > 12% 80%

Hypothetical pricing results, illustration shows potential distribution of pricing results

GMIB Utilization

(\$ millions)	June 2003 YTD Deposits GMIB	June 2003 YTD Deposits with GMIB	Utilization * Rate
	\$2,970	\$1,693	70%
	\$1,336	\$138	12%
	\$486	\$248	59%
	<u>\$31</u>	<u>\$ 4</u>	<u>31%</u>
Total	\$4,823	\$2,083	43%

* Where GMIB is available



GMIB Exposure

(\$ Millions)	Total Fund 06/30/03	Fund w/ GMIB Exposure	GMIB* Exposure	Guar. ** Income	Current ** Income
MetLife Financial Services	\$235	\$68	\$ 2	\$0.3	\$0.4
New England Financial	639	188	12	0.9	1.0
MetLife Investors Group	4,003	1,133	111	5.7	6.2
Total	4,878	1,389	126	6.9	7.6

*GMIB base excess over fund. GMIB base is the higher of the 6% accumulation and the Account Value Ratchet. GMIB base is reset on policy anniversary

** Assumes IMMEDIATE annuitization using guaranteed annuity purchase rates for male age 65 receiving monthly income for life with 10 years certain

*** Assumes IMMEDIATE annuitization using current annuity purchase rates (6/30/03) for male age 65 receiving monthly for life with 10 years certain

- **25% of MetLife Investors and New England Financial GMIB is reinsured**
- **Current reinsurance capacity of \$4 billion expired August 2003**
- **Currently seeking reinsurance opportunities that make financial sense, lack of capacity pushing prices higher**

Risk Management

- **Dynamic hedging currently under review**
 - Purchase options to hedge risk
 - Current pricing covers anticipated “cost of hedge strategy”
 - FAS 133 Account Issues: Assets at Market, Liabilities at Book
- **Will utilize “economically sound reinsurance”**
- **Current strategy is to hold “economic capital” and “reserves”**
- **As of Q2 YTD account value with GMIB is 9% of individual annuity assets under management.**