EXHIBIT C

MetLife 10-Q

Please see attached.

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 JUNE 30, 2020

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, NY	**10166-0188**
(Address of principal executive offices)	*(Zip Code)*

(212) 578-9500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	MET	New York Stock Exchange
Floating Rate Non-Cumulative Preferred Stock, Series A, par value $0.01	MET PRA	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 5.625% Non-Cumulative Preferred Stock, Series E	MET PRE	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 4.75% Non-Cumulative Preferred Stock, Series F	MET PRF	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	☐	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 July 31, 2020, 907,662,465 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

Table of Contents

		Page
Part I — Financial Information		
Item 1.	Financial Statements (Unaudited) (at June 30, 2020 and December 31, 2019 and for the Three Months and Six Months Ended June 30, 2020 and 2019)	
	Interim Condensed Consolidated Balance Sheets	3
	Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)	4
	Interim Condensed Consolidated Statements of Equity	5
	Interim Condensed Consolidated Statements of Cash Flows	6
	Notes to the Interim Condensed Consolidated Financial Statements:	
	Note 1 — Business, Basis of Presentation and Summary of Significant Accounting Policies	7
	Note 2 — Segment Information	12
	Note 3 — Disposition	19
	Note 4 — Insurance	19
	Note 5 — Closed Block	21
	Note 6 — Investments	24
	Note 7 — Derivatives	43
	Note 8 — Fair Value	59
	Note 9 — Long-Term Debt	77
	Note 10 — Equity	77
	Note 11 — Other Revenues and Other Expenses	84
	Note 12 — Employee Benefit Plans	85
	Note 13 — Income Tax	85
	Note 14 — Earnings Per Common Share	86
	Note 15 — Contingencies, Commitments and Guarantees	86
	Note 16 — Subsequent Events	91
Item 2.	**Management's Discussion and Analysis of Financial Condition and Results of Operations**	92
Item 3.	**Quantitative and Qualitative Disclosures About Market Risk**	168
Item 4.	**Controls and Procedures**	169
Part II — Other Information		
Item 1.	**Legal Proceedings**	170
Item 1A.	**Risk Factors**	170
Item 2.	**Unregistered Sales of Equity Securities and Use of Proceeds**	172
Item 6.	**Exhibits**	174
Signatures		175

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 and terms such as "accelerate," "achieve," "anticipate," "assume," "become," "believe," "can," "committed to," "continue," "could," "create," "emerging," "estimate," "evolve," "expect," "forecast," "future," "if," "intend," "likely," "may," "next," "plan," "possible," "potential," "probable," "project," "remain," "risk," "scheduled," "target," "ultimate," "upcoming," "vary," "well positioned," "when," "will," "would" and other words and terms of similar meaning, in each of their forms of speech, or that are tied to future periods, in connection with a discussion of future 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.

Many factors will be important in determining the results of MetLife, Inc., its subsidiaries and affiliates. Forward-looking statements are based on our assumptions and current expectations, which may be inaccurate, and on the current economic environment, which may change. These statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. 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) the course of the COVID-19 pandemic, and responses to it, which may also precipitate or exacerbate the remaining risks; (2) difficult economic conditions, including risks relating to interest rates, credit spreads, equity, real estate, obligors and counterparties, currency exchange rates, derivatives, and terrorism and security; (3) adverse global capital and credit market conditions, which may affect our ability to meet liquidity needs and access capital, including through credit facilities; (4) downgrades in our claims paying ability, financial strength or credit ratings; (5) availability and effectiveness of reinsurance, hedging or indemnification arrangements; (6) increasing cost and limited market capacity for statutory life insurance reserve financings; (7) the impact on us of changes to and implementation of the wide variety of laws and regulations to which we are subject; (8) regulatory, legislative or tax changes relating to our operations that may affect the cost of, or demand for, our products or services; (9) adverse results or other consequences from litigation, arbitration or regulatory investigations; (10) legal, regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (11) MetLife, Inc.'s primary reliance, as a holding company, 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; (12) investment losses, defaults and volatility; (13) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (14) changes to securities and investment valuations, allowances and impairments taken on investments, and methodologies, estimates and assumptions; (15) differences between actual claims experience and underwriting and reserving assumptions; (16) political, legal, operational, economic and other risks relating to our global operations; (17) competitive pressures, 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; (18) the impact of technological changes on our businesses; (19) catastrophe losses; (20) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (21) impairment of goodwill or other long-lived assets, or the establishment of a valuation allowance against our deferred income tax asset; (22) changes in assumptions related to deferred policy acquisition costs, deferred sales inducements or value of business acquired; (23) exposure to losses related to guarantees in certain products; (24) ineffectiveness of risk management policies and procedures or models; (25) a failure in cybersecurity systems or other information security systems or disaster recovery plans; (26) any failure to protect the confidentiality of client information; (27) changes in accounting standards; (28) associates taking excessive risks; (29) difficulties in or complications from marketing and distributing products through our distribution channels; (30) increased expenses relating to pension and other postretirement benefit plans; (31) inability to protect our intellectual property rights or claims of infringement of others' intellectual property rights; (32) difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from business acquisitions and dispositions, joint ventures, or other legal entity reorganizations; (33) unanticipated or adverse developments that could harm our expected operational or other benefits from the separation of Brighthouse Financial, Inc. and its subsidiaries; (34) 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; (35) provisions of laws and our incorporation documents that may delay, deter or prevent takeovers and corporate combinations involving MetLife; and (36) 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 on our website (www.metlife.com) through the MetLife Investor Relations web page (https://investor.metlife.com), as well as in 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 "Exhibits — Note Regarding Reliance on Statements in Our Contracts" for information regarding agreements included as exhibits to this Quarterly Report on Form 10-Q.

Part I — Financial Information

Item 1. Financial Statements

MetLife, Inc.

Interim Condensed Consolidated Balance Sheets
June 30, 2020 and December 31, 2019 (Unaudited)

(In millions, except share and per share data)

	June 30, 2020	December 31, 2019
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $302,873 and $297,655, respectively; allowance for credit loss of $177 and $0, respectively)	$ 340,005	$ 327,820
Equity securities, at estimated fair value	1,105	1,342
Contractholder-directed equity securities and fair value option securities, at estimated fair value (includes $3 and $3, respectively, relating to variable interest entities)	11,911	13,102
Mortgage loans (net of allowance for credit loss of $555 and $353, respectively; includes $175 and $188, respectively, under the fair value option and $0 and $59, respectively, of mortgage loans held-for-sale)	82,890	80,529
Policy loans	9,639	9,680
Real estate and real estate joint ventures (includes $155 and $127, respectively, under the fair value option)	11,524	10,741
Other limited partnership interests	7,794	7,716
Short-term investments, principally at estimated fair value	5,345	3,850
Other invested assets (includes $2,046 and $2,299, respectively, of leveraged and direct financing leases and $300 and $290, respectively, relating to variable interest entities)	24,731	19,015
Total investments	494,944	473,795
Cash and cash equivalents, principally at estimated fair value (includes $13 and $12, respectively, relating to variable interest entities)	24,289	16,598
Accrued investment income	3,388	3,523
Premiums, reinsurance and other receivables (includes $3 and $4, respectively, relating to variable interest entities)	20,848	20,443
Deferred policy acquisition costs and value of business acquired	16,353	17,833
Goodwill	9,245	9,308
Other assets (includes $2 and $2, respectively, relating to variable interest entities)	11,173	10,518
Separate account assets	187,343	188,445
Total assets	$ 767,583	$ 740,463
Liabilities and Equity		
Liabilities		
Future policy benefits	$ 196,522	$ 194,909
Policyholder account balances	198,147	192,627
Other policy-related balances	16,870	17,171
Policyholder dividends payable	670	681
Policyholder dividend obligation	2,798	2,020
Payables for collateral under securities loaned and other transactions	34,133	26,745
Short-term debt	303	235
Long-term debt (includes $5 and $5, respectively, at estimated fair value, relating to variable interest entities)	14,513	13,466
Collateral financing arrangement	968	993
Junior subordinated debt securities	3,151	3,150
Current income tax payable	928	363
Deferred income tax liability	11,334	9,097
Other liabilities (includes $1 and $1, respectively, relating to variable interest entities)	23,963	24,179
Separate account liabilities	187,343	188,445
Total liabilities	691,643	674,081
Contingencies, Commitments and Guarantees (Note 15)		
Equity		
MetLife, Inc.'s stockholders' equity:		
Preferred stock, par value $0.01 per share; $4,405 and $3,405, respectively, aggregate liquidation preference	—	—
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,180,627,549 and 1,177,680,299 shares issued, respectively; 907,620,740 and 915,338,098 shares outstanding, respectively	12	12
Additional paid-in capital	33,728	32,680
Retained earnings	36,568	33,078
Treasury stock, at cost; 273,006,809 and 262,342,201 shares, respectively	(13,178)	(12,678)
Accumulated other comprehensive income (loss) ("AOCI")	18,563	13,052

Total MetLife, Inc.’s stockholders’ equity	75,693	66,144
Noncontrolling interests	247	238
Total equity	75,940	66,382
Total liabilities and equity	$ 767,583	$ 740,463

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months and Six Months Ended June 30, 2020 and 2019 (Unaudited)

(In millions, except per share data)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenues				
Premiums	$ 8,736	$ 10,129	$ 18,202	$ 19,534
Universal life and investment-type product policy fees	1,299	1,412	2,730	2,777
Net investment income	4,087	4,693	7,148	9,601
Other revenues	456	478	895	972
Net investment gains (losses)	231	61	(57)	76
Net derivative gains (losses)	(710)	724	3,491	839
Total revenues	14,099	17,497	32,409	33,799
Expenses				
Policyholder benefits and claims	8,667	9,993	17,689	19,065
Interest credited to policyholder account balances	1,962	1,515	2,042	3,476
Policyholder dividends	290	302	582	602
Other expenses	2,983	3,390	6,256	6,615
Total expenses	13,902	15,200	26,569	29,758
Income (loss) before provision for income tax	197	2,297	5,840	4,041
Provision for income tax expense (benefit)	47	551	1,289	910
Net income (loss)	150	1,746	4,551	3,131
Less: Net income (loss) attributable to noncontrolling interests	5	5	8	9
Net income (loss) attributable to MetLife, Inc.	145	1,741	4,543	3,122
Less: Preferred stock dividends	77	57	109	89
Net income (loss) available to MetLife, Inc.’s common shareholders	$ 68	$ 1,684	$ 4,434	$ 3,033
Comprehensive income (loss)	$ 5,957	$ 6,466	$ 10,064	$ 13,021
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	6	5	10	11
Comprehensive income (loss) attributable to MetLife, Inc.	$ 5,951	$ 6,461	$ 10,054	$ 13,010
Net income (loss) available to MetLife, Inc.’s common shareholders per common share:				
Basic	$ 0.07	$ 1.78	$ 4.86	$ 3.19
Diluted	$ 0.07	$ 1.77	$ 4.84	$ 3.17

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Equity
For the Six Months Ended June 30, 2020 and 2019 (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	Total Equity
Balance at December 31, 2019	$ —	$ 12	$ 32,680	$ 33,078	$ (12,678)	$ 13,052	$ 66,144	$ 238	$ 66,382
Cumulative effects of changes in accounting principles, net of income tax (Note 1)				(121)			(121)		(121)
Balance at January 1, 2020	—	12	32,680	32,957	(12,678)	13,052	66,023	238	66,261
Preferred stock issuance			972				972		972
Treasury stock acquired in connection with share repurchases					(500)		(500)		(500)
Stock-based compensation			59				59		59
Dividends on preferred stock				(32)			(32)		(32)
Dividends on common stock				(404)			(404)		(404)
Net income (loss)				4,398			4,398	3	4,401
Other comprehensive income (loss), net of income tax						(295)	(295)	1	(294)
Balance at March 31, 2020	—	12	33,711	36,919	(13,178)	12,757	70,221	242	70,463
Stock-based compensation			17				17		17
Dividends on preferred stock				(77)			(77)		(77)
Dividends on common stock				(419)			(419)		(419)
Change in equity of noncontrolling interests							—	(1)	(1)
Net income (loss)				145			145	5	150
Other comprehensive income (loss), net of income tax						5,806	5,806	1	5,807
Balance at June 30, 2020	$ —	$ 12	$ 33,728	$ 36,568	$ (13,178)	$ 18,563	$ 75,693	$ 247	$ 75,940

	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, 2018	$ —	$ 12	$ 32,474	$ 28,926	$ (10,393)	$ 1,722	$ 52,741	$ 217	$ 52,958
Cumulative effects of changes in accounting principles, net of income tax				74		21	95		95
Balance at January 1, 2019	—	12	32,474	29,000	(10,393)	1,743	52,836	217	53,053
Treasury stock acquired in connection with share repurchases					(500)		(500)		(500)
Stock-based compensation			61				61		61
Dividends on preferred stock				(32)			(32)		(32)
Dividends on common stock				(405)			(405)		(405)
Change in equity of noncontrolling interests							—	6	6
Net income (loss)				1,381			1,381	4	1,385
Other comprehensive income (loss), net of income tax						5,168	5,168	2	5,170
Balance at March 31, 2019	—	12	32,535	29,944	(10,893)	6,911	58,509	229	58,738
Treasury stock acquired in connection with share repurchases					(750)		(750)		(750)
Stock-based compensation			67				67		67
Dividends on preferred stock				(57)			(57)		(57)
Dividends on common stock				(419)			(419)		(419)
Change in equity of noncontrolling interests							—	1	1
Net income (loss)				1,741			1,741	5	1,746
Other comprehensive income (loss), net of income tax						4,720	4,720	—	4,720
Balance at June 30, 2019	$ —	$ 12	$ 32,602	$ 31,209	$ (11,643)	$ 11,631	$ 63,811	$ 235	$ 64,046

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2020 and 2019 (Unaudited)

(In millions)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net cash provided by (used in) operating activities	$ 2,693	$ 4,459
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities available-for-sale	40,034	42,055
Equity securities	125	183
Mortgage loans	5,057	5,065
Real estate and real estate joint ventures	103	138
Other limited partnership interests	160	402
Purchases and originations of:		
Fixed maturity securities available-for-sale	(47,511)	(44,504)
Equity securities	(49)	(76)
Mortgage loans	(7,740)	(7,236)
Real estate and real estate joint ventures	(942)	(804)
Other limited partnership interests	(874)	(798)
Cash received in connection with freestanding derivatives	5,256	1,724
Cash paid in connection with freestanding derivatives	(2,017)	(2,462)
Net change in policy loans	12	(4)
Net change in short-term investments	(1,572)	1,202
Net change in other invested assets	65	65
Other, net	165	(92)
Net cash provided by (used in) investing activities	(9,728)	(5,142)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	50,120	45,511
Withdrawals	(43,109)	(40,945)
Payables for collateral under securities loaned and other transactions:		
Net change in payables for collateral under securities loaned and other transactions	7,401	725
Cash received for other transactions with tenors greater than three months	50	—
Cash paid for other transactions with tenors greater than three months	(50)	(200)
Long-term debt issued	1,074	1,382
Long-term debt repaid	(13)	(895)
Collateral financing arrangement repaid	(25)	(34)
Financing element on certain derivative instruments and other derivative related transactions, net	(242)	(14)
Treasury stock acquired in connection with share repurchases	(500)	(1,250)
Preferred stock issued, net of issuance costs	972	—
Dividends on preferred stock	(109)	(89)
Dividends on common stock	(823)	(824)
Other, net	91	(117)
Net cash provided by (used in) financing activities	14,837	3,250
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(111)	47
Change in cash and cash equivalents	7,691	2,614
Cash and cash equivalents, beginning of period	16,598	15,821
Cash and cash equivalents, end of period	$ 24,289	$ 18,435
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$ 426	$ 510
Income tax	$ 130	$ 756

Non-cash transactions:		
Fixed maturity securities available-for-sale received in connection with pension risk transfer transactions	$ —	$ 410
Operating lease liability associated with the recognition of right-of-use assets	$ 52	$ 216
Increase in policyholder account balances associated with funding agreement backed notes issued but not settled	$ 750	$ —

See accompanying notes to the interim condensed consolidated financial statements.

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 one of the world's leading financial services companies, providing insurance, annuities, employee benefits and asset management. MetLife is organized into five segments: U.S.; Asia; Latin America; Europe, the Middle East and Africa ("EMEA"); and MetLife Holdings.

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 on 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, including the novel coronavirus COVID-19 pandemic ("COVID-19 Pandemic"). 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 these estimates.

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, 2019 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, 2019 (the "2019 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 2019 Annual Report.

Consolidation

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.

The Company uses the equity method of accounting or the fair value option ("FVO") for real estate joint ventures and other limited partnership interests ("investee") when it has more than a minor ownership interest or more than a minor influence over the investee's operations. The Company generally recognizes its share of the investee's earnings in net investment income 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.

Summary of Significant Accounting Policies

The following are the Company's significant accounting policies updated for the January 1, 2020 adoption of new accounting pronouncements related to investments and goodwill.

Net Investment Income and Net Investment Gains (Losses)

Income from investments is reported within net investment income, unless otherwise stated herein. Gains and losses on sales of investments, intent-to-sell impairments, as well as provisions for credit loss in the allowance for credit loss ("ACL") on fixed maturity securities available-for-sale ("AFS"), mortgage loans and investments in leases and subsequent changes in the ACL or for impairment losses on real estate investments, are reported within net investment gains (losses), unless otherwise stated herein. Accrued investment income is presented separately on the consolidated balance sheet and excluded from the carrying value of the related investments, primarily fixed maturity securities AFS and mortgage loans.

Fixed Maturity Securities

The majority of the Company's fixed maturity securities are classified as AFS and are reported at their estimated fair value. Unrealized investment gains and losses on these securities are recorded as a separate component of other comprehensive income (loss) ("OCI"), net of policy-related amounts and deferred income taxes. All security transactions are recorded on a trade date basis. Sales of securities are determined on a specific identification basis.

1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premium and accretion of discount and is based on the estimated economic life of the securities, which for mortgage-backed and asset-backed securities considers the estimated timing and amount of prepayments of the underlying loans. See Note 8 "— Fixed Maturity Securities AFS — Methodology for Amortization of Premium and Accretion of Discount on Structured Products" in the Notes to the Consolidated Financial Statements included in the 2019 Annual Report. The amortization of premium and accretion of discount also take into consideration call and maturity dates.

The Company periodically evaluates its fixed maturity securities AFS for impairment. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in estimated fair value as described in Note 6 "— Fixed Maturity Securities Available-for-Sale — Evaluation of Fixed Maturity Securities AFS for Credit Loss."

Prior to January 1, 2020, the Company applied other than temporary impairment ("OTTI") guidance for securities in an unrealized loss position. An OTTI was recognized in earnings within net investment gains (losses) when it was anticipated that the amortized cost would not be recovered. When either: (i) the Company had the intent to sell the security, or (ii) it was more likely than not that the Company would be required to sell the security before recovery, the reduction of amortized cost and the OTTI recognized in earnings was the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions existed, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected was recognized as a reduction of amortized cost and an OTTI in earnings. If the estimated fair value was less than the present value of projected future cash flows expected to be collected, this portion of OTTI related to other-than-credit factors was recorded in OCI.

On January 1, 2020, the Company adopted accounting standards update ("ASU") 2016-13, *Financial Instruments-Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") using a modified retrospective approach. Under ASU 2016-13, for securities in an unrealized loss position, a credit loss is recognized in earnings within net investment gains (losses) when it is anticipated that the amortized cost will not be recovered. When either: (i) the Company has the intent to sell the security, or (ii) it is more likely than not that the Company will be required to sell the security before recovery, the reduction of amortized cost and the loss recognized in earnings is the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions exists, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as a "credit loss" by establishing an ACL with a corresponding charge to earnings in net investment gains (losses). However, the ACL is limited by the amount that the fair value is less than the amortized cost. This limitation is known as the "fair value floor." If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of the decline in value related to other-than-credit factors ("noncredit loss") is recorded in OCI.

The new guidance also replaces the model for purchased credit impaired ("PCI") fixed maturity securities AFS and financing receivables and requires the establishment of an ACL at acquisition, which is added to the purchase price to establish the initial amortized cost of the investment. Upon adoption, the replacement of the PCI model did not have a material impact on the Company's interim condensed consolidated financial statements.

Mortgage Loans

ASU 2016-13 requires an ACL based on the expectation of lifetime credit loss on financing receivables carried at amortized cost, including, but not limited to, mortgage loans and leveraged and direct financing leases, as described in Note 6.

The Company disaggregates its mortgage loan investments into three portfolio segments: commercial, agricultural and residential. Also included in commercial mortgage loans are revolving line of credit loans collateralized by commercial properties. The accounting policies that are applicable to all portfolio segments are presented below and the accounting policies related to each of the portfolio segments are included in Note 6.

Mortgage loans are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, and are net of ACL. Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premium and accretion of discount.

1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

The Company ceases to accrue interest when the collection of interest is not considered probable, which is based on a current evaluation of the status of the borrower including the number of days past due. When a loan is placed on non-accrual status, uncollected past due accrued interest income that is considered uncollectible is charged-off against net investment income. Generally, the accrual of interest income resumes after all delinquent amounts are paid and management believes all future principal and interest payments will be collected. The Company records cash receipts on non-accruing loans in accordance with the loan agreement. The Company records charge-offs upon the realization of a credit loss, typically through foreclosure or after a decision is made to sell a loan, or for residential loans when, after considering the individual consumer's financial status, management believes amounts are not collectible. Gain or loss upon charge-off is recorded, net of previously established ACL, in net investment gains (losses). Cash recoveries on principal amounts previously charged-off are generally recorded in net investment gains.

Also included in mortgage loans are residential mortgage loans for which the FVO was elected, and which are stated at estimated fair value. Changes in estimated fair value are recognized in net investment income.

Goodwill

On January 1, 2020, the Company adopted ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, using a prospective transition approach for goodwill impairment tests subsequent to January 1, 2020. As a result of the new guidance, Step 2 of the goodwill impairment test (measuring a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying value of that goodwill) has been eliminated and the Company is only required to perform a one-step goodwill impairment test as described below. Goodwill represents the future economic benefits arising from net assets acquired in a business combination that are not individually identified and recognized. Goodwill is calculated as the excess of cost over the estimated fair value of such net assets acquired, is not amortized, and is tested for impairment based on a fair value approach at least annually, or more frequently if events or circumstances indicate that there may be justification for conducting an interim test. The Company performs its annual goodwill impairment testing during the third quarter based upon data as of the close of the second quarter.

The impairment test is performed at the reporting unit level, which is the operating segment or a business one level below the operating segment, if discrete financial information is prepared and regularly reviewed by management at that level. For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, an impairment charge would be recognized for the amount by which the carrying value exceeds the reporting unit's fair value; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit. Additionally, the Company will consider income tax effects from any tax deductible goodwill on the carrying value of the reporting unit when measuring the goodwill impairment loss, if applicable. On an ongoing basis, the Company evaluates potential triggering events that may affect the estimated fair value of the Company's reporting units to assess whether any goodwill impairment exists. Deteriorating or adverse market conditions for certain reporting units may have a significant impact on the estimated fair value of these reporting units and could result in future impairments of goodwill.

In the first quarter of 2020, the Company performed interim goodwill impairment testing on all of its reporting units due to the economic impact of the COVID-19 Pandemic and determined that its goodwill was not impaired, although the amount of excess of estimated fair value above the carrying value for the reporting units had decreased since the previous annual test. As the COVID-19 Pandemic continues to impact the global economy and financial markets, the Company has continued to monitor the key inputs, judgments and assumptions that impact the impairment test, and has concluded that there were no additional triggering events in the second quarter of 2020. While the Company has observed several improvements in the economic environment, the Company has determined the excess of estimated fair value over carrying value in the EMEA reporting unit remained below what would be considered a substantial margin.

Recent Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of ASUs to the FASB Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. The following tables provide a description of new ASUs issued by the FASB and the impact of the adoption on the Company's consolidated financial statements.

Adoption of New Accounting Pronouncements

Except as noted below, the ASUs adopted by the Company effective January 1, 2020 did not have a material impact on its consolidated financial statements or disclosures.

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*	The new guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, with certain exceptions.	Effective for contract modifications made between March 12, 2020 and December 31, 2022.	The new guidance reduces the operational and financial impacts of contract modifications that replace a reference rate, such as London InterBank Offered Rate (LIBOR), affected by reference rate reform. The adoption of the new guidance did not have an impact on the Company’s interim condensed consolidated financial statements. The Company will continue to evaluate the impacts of reference rate reform on contract modifications and hedging relationships through December 31, 2022.
ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*	The new guidance simplifies the former two-step goodwill impairment test by eliminating Step 2 of the test. The new guidance requires a one-step impairment test in which an entity compares the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, if any.	January 1, 2020, the Company adopted, using a prospective approach.	The adoption of the new guidance reduced the complexity involved with the evaluation of goodwill for impairment and did not have a material impact on the Company’s consolidated financial statements.
ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as clarified and amended by ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses;* ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments;* ASU 2019-05, *Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief;* and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*	This new guidance requires an ACL based on the expectation of lifetime credit loss on financing receivables carried at amortized cost, including, but not limited to, mortgage loans, premium receivables, reinsurance receivables and leveraged and direct financing leases. The former model for OTTI on fixed maturity securities AFS has been modified and requires the recording of an ACL instead of a reduction of the amortized cost. Any improvements in expected future cash flows will no longer be reflected as a prospective yield adjustment, but instead will be reflected as a reduction in the ACL. The new guidance also replaces the model for PCI fixed maturity securities AFS and financing receivables and requires the establishment of an ACL at acquisition, which is added to the purchase price to establish the initial amortized cost of the investment. The new guidance also requires enhanced disclosures.	January 1, 2020 for substantially all financial assets, the Company adopted using a modified retrospective approach. For previously impaired fixed maturity securities AFS and certain fixed maturity securities AFS acquired with evidence of credit quality deterioration since origination, the Company adopted prospectively on January 1, 2020.	The adoption of this guidance resulted in a $121 million, net of income tax, decrease to retained earnings primarily related to the Company’s mortgage loan investments. The Company has included the required disclosures within Note 6.

Future Adoption of New Accounting Pronouncements

ASUs not listed below were assessed and either determined to be not applicable or are not expected to have a material impact on the Company's consolidated financial statements or disclosures. ASUs issued but not yet adopted as of June 30, 2020 that are currently being assessed and may or may not have a material impact on the Company's consolidated financial statements or disclosures are summarized in the table below.

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*	The new guidance simplifies the accounting for income taxes by removing certain exceptions to the tax accounting guidance and providing clarification to other specific tax accounting guidance to eliminate variations in practice. Specifically, it removes the exceptions related to the a) incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items, b) recognition of a deferred tax liability when foreign investment ownership changes from equity method investment to consolidated subsidiary and vice versa and c) use of interim period tax accounting for year-to-date losses that exceed anticipated losses. The guidance also simplifies the application of the income tax guidance for franchise taxes that are partially based on income and the accounting for tax law changes during interim periods, clarifies the accounting for transactions that result in a step-up in tax basis of goodwill, provides for the option to elect allocation of consolidated income taxes to entities disregarded by taxing authorities for their stand-alone reporting, and requires that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date.	January 1, 2021. The new guidance should be applied either on a retrospective, modified retrospective or prospective basis based on the items to which the amendments relate. Early adoption is permitted.	The Company has started its implementation efforts and is currently evaluating the impact of the new guidance on its consolidated financial statements.
ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts,* as amended by ASU 2019-09, *Financial Services—Insurance (Topic 944): Effective Date*	The new guidance (i) prescribes the discount rate to be used in measuring the liability for future policy benefits for traditional and limited payment long-duration contracts, and requires assumptions for those liability valuations to be updated after contract inception, (ii) requires more market-based product guarantees on certain separate account and other account balance long-duration contracts to be accounted for at fair value, (iii) simplifies the amortization of deferred policy acquisition costs ("DAC") for virtually all long-duration contracts, and (iv) introduces certain financial statement presentation requirements, as well as significant additional quantitative and qualitative disclosures. The amendments in ASU 2019-09 defer the effective date of the amendments in ASU 2018-12 for all entities.	January 1, 2022, to be applied retrospectively to January 1, 2020 (with early adoption permitted).	The implementation efforts of the Company and the evaluation of the impact of the new guidance are in progress. Given the nature and extent of the required changes to a significant portion of the Company's operations, the adoption of this guidance is expected to have a material impact on its consolidated financial statements.

2. Segment Information

MetLife is organized into five segments: U.S.; Asia; Latin America; EMEA; and MetLife Holdings. In addition, the Company reports certain of its results of operations in Corporate & Other.

U.S.

The U.S. segment offers a broad range of protection products and services aimed at serving the financial needs of customers throughout their lives. These products are sold to corporations and their respective employees, other institutions and their respective members, as well as individuals. The U.S. segment is organized into three businesses: Group Benefits, Retirement and Income Solutions ("RIS") and Property & Casualty.

- The Group Benefits business offers life, dental, group short- and long-term disability, individual disability, accidental death and dismemberment, vision and accident & health coverages, as well as prepaid legal plans. This business also sells administrative services-only arrangements to some employers.
- The RIS business offers a broad range of life and annuity-based insurance and investment products, including stable value and pension risk transfer products, institutional income annuities, tort settlements, and capital markets investment products, as well as solutions for funding postretirement benefits and company-, bank- or trust-owned life insurance.
- The Property & Casualty business offers personal lines of property and casualty insurance, including private passenger automobile, homeowners' and personal excess liability insurance.

Asia

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

Latin America

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

EMEA

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

MetLife Holdings

The MetLife Holdings segment consists of operations relating to products and businesses, previously included in MetLife's former retail business, that the Company no longer actively markets in the United States, such as variable, universal, term and whole life insurance, variable, fixed and index-linked annuities, and long-term care insurance, as well as the assumed variable annuity guarantees from the Company's former operating joint venture in Japan.

Corporate & Other

Corporate & Other contains various start-up, developing and run-off businesses. Also included in Corporate & Other are: the excess capital, as well as certain charges and activities, not allocated to the segments (including external integration and disposition costs, internal resource costs for associates committed to acquisitions and dispositions and enterprise-wide strategic initiative restructuring charges), interest expense related to the majority of the Company's outstanding debt, expenses associated with certain legal proceedings and income tax audit issues, the elimination of intersegment amounts (which generally relate to affiliated reinsurance, investment expenses and intersegment loans, bearing interest rates commensurate with related borrowings), and the Company's investment management business (through which the Company provides public fixed income, private capital and real estate investment solutions to institutional investors worldwide).

2. Segment Information (continued)

Financial Measures and Segment Accounting Policies

Adjusted earnings is used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, adjusted earnings is also the Company's GAAP measure of segment performance and is reported below. Adjusted earnings should not be viewed as a substitute for net income (loss). The Company believes the presentation of adjusted 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.

Adjusted earnings is defined as adjusted revenues less adjusted expenses, net of income tax.

The financial measures of adjusted revenues and adjusted expenses focus on the Company's primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations under GAAP and other businesses that have been or will be sold or exited by MetLife but do not meet the discontinued operations criteria under GAAP and are referred to as divested businesses. Divested businesses also include the net impact of transactions with exited businesses that have been eliminated in consolidation under GAAP and costs relating to businesses that have been or will be sold or exited by MetLife that do not meet the criteria to be included in results of discontinued operations under GAAP. Adjusted revenues also excludes net investment gains (losses) and net derivative gains (losses). Adjusted expenses also excludes goodwill impairments.

The following additional adjustments are made to revenues, in the line items indicated, in calculating adjusted 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 adjustments for earned income on derivatives 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) excludes post-tax adjusted earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iii) excludes certain amounts related to contractholder-directed equity securities, (iv) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP and (v) includes distributions of profits from certain other limited partnership interests that were previously accounted for under the cost method, but are now accounted for at estimated fair value, where the change in estimated fair value is recognized in net investment gains (losses) under GAAP; and
- Other revenues is adjusted for settlements of foreign currency earnings hedges and excludes fees received in association with services provided under transition service agreements ("TSA fees").

2. Segment Information (continued)

The following additional adjustments are made to expenses, in the line items indicated, in calculating adjusted expenses:

- Policyholder benefits and claims and policyholder dividends excludes: (i) amortization of basis adjustments associated with de-designated fair value hedges of future policy benefits, (ii) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (iii) 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, (iv) benefits and hedging costs related to GMIBs (“GMIB costs”) and (v) market value adjustments associated with surrenders or terminations of contracts (“Market value adjustments”);
- Interest credited to policyholder account balances includes adjustments for earned income on derivatives and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment and excludes certain amounts related to net investment income earned on contractholder-directed equity securities;
- Amortization of 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: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements costs and (iii) acquisition, integration and other costs. Other expenses includes TSA fees.

Adjusted 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.

The tax impact of the adjustments mentioned above are calculated net of the U.S. or foreign statutory tax rate, which could differ from the Company’s effective tax rate. Additionally, the provision for income tax (expense) benefit also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

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 and six months ended June 30, 2020 and 2019. The segment accounting policies are the same as those used to prepare the Company’s consolidated financial statements, except for adjusted 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, net income (loss), or adjusted earnings.

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.

2. Segment Information (continued)

Three Months Ended June 30, 2020	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
					(In millions)				
Revenues									
Premiums	$ 5,184	$ 1,584	$ 489	$ 557	$ 889	$ 13	$ 8,716	$ 20	$ 8,736
Universal life and investment-type product policy fees	268	420	238	92	249	1	1,268	31	1,299
Net investment income	1,425	767	260	63	981	(52)	3,444	643	4,087
Other revenues	240	14	10	11	70	72	417	39	456
Net investment gains (losses)	—	—	—	—	—	—	—	231	231
Net derivative gains (losses)	—	—	—	—	—	—	—	(710)	(710)
Total revenues	7,117	2,785	997	723	2,189	34	13,845	254	14,099
Expenses									
Policyholder benefits and claims and policyholder dividends	5,038	1,255	449	263	1,705	3	8,713	244	8,957
Interest credited to policyholder account balances	412	447	56	27	219	—	1,161	801	1,962
Capitalization of DAC	(122)	(351)	(74)	(115)	(5)	(2)	(669)	(2)	(671)
Amortization of DAC and VOBA	115	284	70	85	11	3	568	(8)	560
Amortization of negative VOBA	—	(8)	—	(2)	—	—	(10)	—	(10)
Interest expense on debt	2	—	1	—	1	228	232	—	232
Other expenses	1,012	797	307	328	239	134	2,817	55	2,872
Total expenses	6,457	2,424	809	586	2,170	366	12,812	1,090	13,902
Provision for income tax expense (benefit)	137	105	56	21	(1)	(120)	198	(151)	47
Adjusted earnings	$ 523	$ 256	$ 132	$ 116	$ 20	$ (212)	835		
Adjustments to:									
Total revenues							254		
Total expenses							(1,090)		
Provision for income tax (expense) benefit							151		
Net income (loss)							$ 150		$ 150

Table of Contents

2. Segment Information (continued)

Three Months Ended June 30, 2019	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
					(In millions)				
Revenues									
Premiums	$ 6,234	$ 1,631	$ 773	$ 551	$ 924	$ 16	$ 10,129	$ —	$ 10,129
Universal life and investment-type product policy fees	274	419	280	105	286	—	1,364	48	1,412
Net investment income	1,795	944	360	73	1,338	44	4,554	139	4,693
Other revenues	223	13	11	13	65	82	407	71	478
Net investment gains (losses)	—	—	—	—	—	—	—	61	61
Net derivative gains (losses)	—	—	—	—	—	—	—	724	724
Total revenues	8,526	3,007	1,424	742	2,613	142	16,454	1,043	17,497
Expenses									
Policyholder benefits and claims and policyholder dividends	6,101	1,279	790	292	1,703	18	10,183	112	10,295
Interest credited to policyholder account balances	504	424	86	23	227	—	1,264	251	1,515
Capitalization of DAC	(127)	(472)	(100)	(126)	(8)	(4)	(837)	—	(837)
Amortization of DAC and VOBA	117	312	79	107	80	2	697	(8)	689
Amortization of negative VOBA	—	(7)	—	(3)	—	—	(10)	—	(10)
Interest expense on debt	3	—	1	—	2	268	274	—	274
Other expenses	1,009	955	352	350	237	289	3,192	82	3,274
Total expenses	7,607	2,491	1,208	643	2,241	573	14,763	437	15,200
Provision for income tax expense (benefit)	187	157	57	22	73	(181)	315	236	551
Adjusted earnings	$ 732	$ 359	$ 159	$ 77	$ 299	$ (250)	1,376		
Adjustments to:									
Total revenues							1,043		
Total expenses							(437)		
Provision for income tax (expense) benefit							(236)		
Net income (loss)							$ 1,746		$ 1,746

2. Segment Information (continued)

Six Months Ended June 30, 2020	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
					(In millions)				
Revenues									
Premiums	$ 10,858	$ 3,220	$ 1,129	$ 1,125	$ 1,793	$ 25	$ 18,150	$ 52	$ 18,202
Universal life and investment-type product policy fees	543	850	508	208	543	1	2,653	77	2,730
Net investment income	3,191	1,704	478	132	2,296	(36)	7,765	(617)	7,148
Other revenues	480	28	21	24	105	156	814	81	895
Net investment gains (losses)	—	—	—	—	—	—	—	(57)	(57)
Net derivative gains (losses)	—	—	—	—	—	—	—	3,491	3,491
Total revenues	15,072	5,802	2,136	1,489	4,737	146	29,382	3,027	32,409
Expenses									
Policyholder benefits and claims and policyholder dividends	10,473	2,576	1,059	573	3,366	29	18,076	195	18,271
Interest credited to policyholder account balances	870	892	126	54	437	—	2,379	(337)	2,042
Capitalization of DAC	(234)	(772)	(174)	(245)	(10)	(5)	(1,440)	(5)	(1,445)
Amortization of DAC and VOBA	234	599	144	215	111	4	1,307	41	1,348
Amortization of negative VOBA	—	(16)	—	(4)	—	—	(20)	—	(20)
Interest expense on debt	4	—	2	—	3	445	454	—	454
Other expenses	2,078	1,671	652	660	467	270	5,798	121	5,919
Total expenses	13,425	4,950	1,809	1,253	4,374	743	26,554	15	26,569
Provision for income tax expense (benefit)	344	246	100	42	66	(286)	512	777	1,289
Adjusted earnings	$ 1,303	$ 606	$ 227	$ 194	$ 297	$ (311)	2,316		
Adjustments to:									
Total revenues							3,027		
Total expenses							(15)		
Provision for income tax (expense) benefit							(777)		
Net income (loss)							$ 4,551		$ 4,551

2. Segment Information (continued)

Six Months Ended June 30, 2019	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
					(In millions)				
Revenues									
Premiums	$ 11,801	$ 3,330	$ 1,419	$ 1,093	$ 1,851	$ 40	$ 19,534	$ —	$ 19,534
Universal life and investment-type product policy fees	544	825	564	208	560	1	2,702	75	2,777
Net investment income	3,514	1,824	656	147	2,625	69	8,835	766	9,601
Other revenues	444	29	23	27	132	176	831	141	972
Net investment gains (losses)	—	—	—	—	—	—	—	76	76
Net derivative gains (losses)	—	—	—	—	—	—	—	839	839
Total revenues	16,303	6,008	2,662	1,475	5,168	286	31,902	1,897	33,799
Expenses									
Policyholder benefits and claims and policyholder dividends	11,474	2,598	1,387	576	3,351	38	19,424	243	19,667
Interest credited to policyholder account balances	1,005	827	180	47	453	—	2,512	964	3,476
Capitalization of DAC	(241)	(951)	(194)	(243)	(14)	(6)	(1,649)	—	(1,649)
Amortization of DAC and VOBA	231	619	157	199	143	3	1,352	(39)	1,313
Amortization of negative VOBA	—	(16)	—	(4)	—	—	(20)	—	(20)
Interest expense on debt	5	—	2	—	4	497	508	—	508
Other expenses	2,002	1,910	718	688	464	511	6,293	170	6,463
Total expenses	14,476	4,987	2,250	1,263	4,401	1,043	28,420	1,338	29,758
Provision for income tax expense (benefit)	371	306	119	49	151	(346)	650	260	910
Adjusted earnings	$ 1,456	$ 715	$ 293	$ 163	$ 616	$ (411)	2,832		
Adjustments to:									
Total revenues							1,897		
Total expenses							(1,338)		
Provision for income tax (expense) benefit							(260)		
Net income (loss)							$ 3,131		$ 3,131

2. Segment Information (continued)

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

	June 30, 2020	December 31, 2019
	(In millions)	
U.S.	$ 284,305	$ 266,174
Asia	163,082	161,018
Latin America	70,791	75,069
EMEA	25,915	27,281
MetLife Holdings	179,585	175,199
Corporate & Other	43,905	35,722
Total	$ 767,583	$ 740,463

3. Disposition

Disposition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited

In June 2019, the Company entered into a definitive agreement to sell its two wholly-owned subsidiaries, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited (collectively, "MetLife Hong Kong"). As a result of the agreement, a loss of $140 million, net of income tax, was recorded for the three months and six months ended June 30, 2019. This loss was comprised of an expected $100 million pre-tax loss, which was reflected in net investment gains (losses) and included allocated goodwill of $71 million. Additionally, the $140 million loss included a $40 million net tax charge, which was recorded in the provision for income tax expense (benefit) and included previously deferred tax items and losses which are not recognized for tax purposes. At December 31, 2019, MetLife Hong Kong represented $2.9 billion of total assets in the Asia segment. MetLife Hong Kong's results of operations were reported in the Asia segment adjusted earnings through June 30, 2019. See Note 2 for information on accounting for divested businesses. In June 2020, the Company completed the sale and recorded a gain of $11 million, net of income tax, for the six months ended June 30, 2020, which resulted in a total loss on the sale of $129 million, net of income tax.

4. Insurance

Guarantees

As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report, the Company issues directly and assumes through reinsurance variable annuity products with guaranteed minimum benefits. Guaranteed minimum accumulation benefits ("GMABs"), the non-life contingent portion of guaranteed minimum withdrawal benefits ("GMWBs") and certain non-life contingent portions of GMIBs are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 7.

The Company also issues other annuity contracts that apply a lower rate on funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize. 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.

4. Insurance (continued)

Information regarding the Company's guarantee exposure, which includes direct and assumed business, but excludes offsets from hedging or ceded reinsurance, if any, was as follows at:

	June 30, 2020		December 31, 2019	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(Dollars in millions)			
Annuity Contracts:				
Variable Annuity Guarantees:				
Total account value (1), (2), (3)	$ 59,965	$ 22,146	$ 64,506	$ 24,036
Separate account value (1)	$ 38,210	$ 20,440	$ 41,305	$ 22,291
Net amount at risk (2)	$ 2,199 (4)	$ 823 (5)	$ 1,572 (4)	$ 584 (5)
Average attained age of contractholders	67 years	66 years	67 years	65 years
Other Annuity Guarantees:				
Total account value (1), (3)	N/A	$ 5,201	N/A	$ 5,671
Net amount at risk	N/A	$ 392 (6)	N/A	$ 408 (6)
Average attained age of contractholders	N/A	51 years	N/A	51 years

	June 30, 2020		December 31, 2019	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(Dollars in millions)			
Universal and Variable Life Contracts:				
Total account value (1), (3)	$ 11,841	$ 2,872	$ 11,937	$ 2,940
Net amount at risk (7)	$ 82,915	$ 14,021	$ 86,221	$ 14,500
Average attained age of policyholders	54 years	65 years	53 years	65 years

____

(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 interim condensed consolidated balance sheets, from assumed variable annuity guarantees from the Company's former operating joint venture in Japan.

(3) Includes the contractholder's investments in the general account and separate account, if applicable.

(4) Defined as the death benefit less the total 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.

(5) Defined as the amount (if any) that would be required to be added to the total 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.

(6) Defined as either the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date or the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. These amounts represent the Company's potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date.

(7) 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.

4. Insurance (continued)

Liabilities for Unpaid Claims and Claim Expenses

<u>Rollforward of Claims and Claim Adjustment Expenses</u>

Information regarding the liabilities for unpaid claims and claim adjustment expenses was as follows:

	Six Months Ended June 30,	
	2020	**2019**
	(In millions)	
Balance, beginning of period	$ 19,216	$ 17,788
Less: Reinsurance recoverables	2,377	2,332
Net balance, beginning of period	16,839	15,456
Incurred related to:		
Current period	12,751	13,521
Prior periods (1)	170	78
Total incurred	12,921	13,599
Paid related to:		
Current period	(8,214)	(9,098)
Prior periods	(4,375)	(4,034)
Total paid	(12,589)	(13,132)
Net balance, end of period	17,171	15,923
Add: Reinsurance recoverables	2,519	2,393
Balance, end of period (included in future policy benefits and other policy-related balances)	$ 19,690	$ 18,316

____

(1) For both the six months ended June 30, 2020 and 2019, claims and claim adjustment expenses associated with prior periods increased due to events incurred in prior periods but reported in the current period.

5. 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.

5. Closed Block (continued)

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

	June 30, 2020	December 31, 2019
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$ 39,037	$ 39,379
Other policy-related balances	331	423
Policyholder dividends payable	433	432
Policyholder dividend obligation	2,798	2,020
Deferred income tax liability	101	79
Other liabilities	128	81
Total closed block liabilities	42,828	42,414
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	26,576	25,977
Equity securities, at estimated fair value	45	49
Contractholder-directed equity securities and fair value option securities, at estimated fair value	53	53
Mortgage loans	6,985	7,052
Policy loans	4,419	4,489
Real estate and real estate joint ventures	565	544
Other invested assets	724	314
Total investments	39,367	38,478
Cash and cash equivalents	111	448
Accrued investment income	409	419
Premiums, reinsurance and other receivables	65	75
Current income tax recoverable	13	91
Total assets designated to the closed block	39,965	39,511
Excess of closed block liabilities over assets designated to the closed block	2,863	2,903
AOCI:		
Unrealized investment gains (losses), net of income tax	3,039	2,453
Unrealized gains (losses) on derivatives, net of income tax	257	97
Allocated to policyholder dividend obligation, net of income tax	(2,210)	(1,596)
Total amounts included in AOCI	1,086	954
Maximum future earnings to be recognized from closed block assets and liabilities	$ 3,949	$ 3,857

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

	Six Months Ended June 30, 2020	Year Ended December 31, 2019
	(In millions)	
Balance, beginning of period	$ 2,020	$ 428
Change in unrealized investment and derivative gains (losses)	778	1,592
Balance, end of period	$ 2,798	$ 2,020

5. Closed Block (continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Revenues				
Premiums	$ 371	$ 390	$ 738	$ 757
Net investment income	371	447	778	875
Net investment gains (losses)	10	(4)	(9)	(5)
Net derivative gains (losses)	(3)	9	23	12
Total revenues	749	842	1,530	1,639
Expenses				
Policyholder benefits and claims	589	563	1,139	1,102
Policyholder dividends	217	231	436	459
Other expenses	25	28	52	57
Total expenses	831	822	1,627	1,618
Revenues, net of expenses before provision for income tax expense (benefit)	(82)	20	(97)	21
Provision for income tax expense (benefit)	(17)	4	(20)	4
Revenues, net of expenses and provision for income tax expense (benefit)	$ (65)	$ 16	$ (77)	$ 17

MLIC charges the closed block with federal income taxes, state and local premium taxes and other 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.

6. Investments

Fixed Maturity Securities Available-for-Sale

Fixed Maturity Securities Available-for-Sale by Sector

The following table presents the fixed maturity securities AFS by sector. U.S. corporate and foreign corporate sectors include redeemable preferred stock. Residential mortgage-backed securities ("RMBS") includes agency, prime, alternative and sub-prime mortgage-backed securities. Asset-backed securities ("ABS") includes securities collateralized by corporate loans and consumer loans. Municipals includes taxable and tax-exempt revenue bonds and, to a much lesser extent, general obligations of states, municipalities and political subdivisions. Commercial mortgage-backed securities ("CMBS") primarily includes securities collateralized by multiple commercial mortgage loans. RMBS, ABS and CMBS are, collectively, "Structured Products." In accordance with new guidance adopted January 1, 2020 regarding expected credit loss, securities that incurred a credit loss after December 31, 2019 and were still held as of June 30, 2020, are presented net of ACL. In accordance with previous guidance, both the temporary loss and OTTI loss are presented for securities that were in an unrealized loss position as of December 31, 2019.

	June 30, 2020					December 31, 2019				
			Gross Unrealized				Gross Unrealized			
	Amortized Cost	ACL	Gains	Losses	Estimated Fair Value	Amortized Cost	Gains	Temporary Losses	OTTI Losses (1)	Estimated Fair Value
	(In millions)									
U.S. corporate	$ 79,085	$ (30)	$ 11,766	$ 709	$ 90,112	$ 79,115	$ 8,943	$ 305	$ —	$ 87,753
Foreign government	57,964	(129)	8,260	389	65,706	58,840	8,710	321	—	67,229
Foreign corporate	58,346	(16)	5,765	1,278	62,817	59,342	5,540	717	—	64,165
U.S. government and agency	37,915	—	9,394	22	47,287	37,586	4,604	106	—	42,084
RMBS	29,963	(2)	1,999	85	31,875	27,051	1,535	72	(33)	28,547
ABS	16,603	—	127	406	16,324	14,547	83	88	—	14,542
Municipals	11,930	—	2,685	4	14,611	11,081	2,001	29	—	13,053
CMBS	11,067	—	483	277	11,273	10,093	396	42	—	10,447
Total fixed maturity securities AFS	$ 302,873	$ (177)	$ 40,479	$ 3,170	$ 340,005	$ 297,655	$ 31,812	$ 1,680	$ (33)	$ 327,820

____

(1) Noncredit OTTI losses included in AOCI in an unrealized gain position are due to increases in estimated fair value subsequent to initial recognition of noncredit loss on such securities. See also "— Net Unrealized Investment Gains (Losses)."

Maturities of Fixed Maturity Securities AFS

The amortized cost, net of ACL, and estimated fair value of fixed maturity securities AFS, by contractual maturity date, were as follows at June 30, 2020:

	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 Products	Total Fixed Maturity Securities AFS
	(In millions)					
Amortized cost, net of ACL	$ 15,497	$ 49,042	$ 56,906	$ 123,620	$ 57,631	$ 302,696
Estimated fair value	$ 15,676	$ 51,166	$ 63,218	$ 150,473	$ 59,472	$ 340,005

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

6. Investments (continued)

Continuous Gross Unrealized Losses for Fixed Maturity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity securities AFS in an unrealized loss position by sector and aggregated by length of time that the securities have been in a continuous unrealized loss position. Included in the table below are securities without an ACL as of June 30, 2020, in accordance with new guidance adopted January 1, 2020. Also included in the table below are all securities in an unrealized loss position as of December 31, 2019, in accordance with previous guidance.

	June 30, 2020				December 31, 2019			
	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
	(Dollars in millions)							
U.S. corporate	$ 9,285	$ 617	$ 538	$ 89	$ 3,817	$ 107	$ 2,226	$ 198
Foreign government	4,420	244	1,259	130	3,295	149	1,490	172
Foreign corporate	11,997	1,021	1,794	254	3,188	133	5,873	584
U.S. government and agency	2,033	21	36	1	5,391	97	196	9
RMBS	2,620	69	188	15	2,341	25	584	14
ABS	7,191	249	3,127	157	3,692	22	4,843	66
Municipals	232	4	—	—	1,156	29	1	—
CMBS	3,469	235	400	42	1,926	16	487	26
Total fixed maturity securities AFS	$ 41,247	$ 2,460	$ 7,342	$ 688	$ 24,806	$ 578	$ 15,700	$ 1,069
Investment grade	$ 33,735	$ 1,840	$ 6,372	$ 549	$ 22,838	$ 437	$ 13,813	$ 821
Below investment grade	7,512	620	970	139	1,968	141	1,887	248
Total fixed maturity securities AFS	$ 41,247	$ 2,460	$ 7,342	$ 688	$ 24,806	$ 578	$ 15,700	$ 1,069
Total number of securities in an unrealized loss position	3,419		808		2,153		1,411	

Evaluation of Fixed Maturity Securities AFS for Credit Loss

Evaluation and Measurement Methodologies

Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used in the credit loss evaluation process include, but are not limited to: (i) the extent to which the estimated fair value has been below amortized cost, (ii) adverse conditions specifically related to a security, an industry sector or sub-sector, or an economically depressed geographic area, adverse change in the financial condition of the issuer of the security, changes in technology, discontinuance of a segment of the business that may affect future earnings, and changes in the quality of credit enhancement, (iii) payment structure of the security and likelihood of the issuer being able to make payments, (iv) failure of the issuer to make scheduled interest and principal payments, (v) the issuer, or series of issuers or an industry has suffered a catastrophic loss or has exhausted natural resources, (vi) whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers, (vii) with respect to Structured Products, changes in forecasted cash flows after considering the changes in the financial condition of the underlying loan obligors and 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, (viii) changes in the rating of the security by a rating agency, and (ix) other subjective factors, including concentrations and information obtained from regulators.

The methodology and significant inputs used to determine the amount of credit loss are as follows:

- The Company calculates the recovery value by performing a discounted cash flow analysis based on the present value of future cash flows. The discount rate is generally the effective interest rate of the security at the time of purchase for fixed-rate securities and the spot rate at the date of evaluation of credit loss for floating-rate securities.
- When determining collectability and the period over which value is expected to recover, the Company applies considerations utilized in its overall credit loss evaluation process which incorporates information regarding the specific security, fundamentals of the industry and geographic area in which the security issuer operates, and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from management's single best estimate, the most likely outcome in a range of possible outcomes, after giving consideration to a variety of variables that include, but are not limited to: payment terms of the security; the likelihood that the issuer can service the interest and principal payments; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; any private and public sector programs to restructure foreign government securities and municipals; and changes to the rating of the security or the issuer by rating agencies.
- Additional considerations are made when assessing the unique features that apply to certain Structured Products including, but not limited to: the quality of underlying collateral, historical performance of the underlying loan obligors, historical rent and vacancy levels, changes in the financial condition of the underlying loan obligors, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying loans or assets backing a particular security, changes in the quality of credit enhancement and the payment priority within the tranche structure of the security.

With respect to securities that have attributes of debt and equity ("perpetual hybrid securities"), consideration is given in the credit loss analysis as to whether there has been any deterioration in the credit of the issuer and the likelihood of recovery in value of the securities that are in a severe unrealized loss position. Consideration is also given as to whether any perpetual hybrid securities with an unrealized loss, regardless of credit rating, have deferred any dividend payments.

After the adoption of new guidance on January 1, 2020, in periods subsequent to the recognition of an initial ACL on a security, the Company reassesses credit loss quarterly. Subsequent increases or decreases in the expected cash flow from the security result in corresponding decreases or increases in the ACL which are recorded within net investment gains (losses); however, the previously recorded ACL is not reduced to an amount below zero. Full or partial write-offs are deducted from the ACL in the period the security, or a portion thereof, is considered uncollectible. Recoveries of amounts previously written off are recorded to the ACL in the period received. When the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, any ACL is written off and the amortized cost is written down to estimated fair value through a charge within net investment gains (losses), which becomes the new amortized cost of the security.

In accordance with the previous guidance, methodologies to evaluate the recoverability of a security in an unrealized loss position were similar, except: (i) the length of time estimated fair value had been below amortized cost was considered for securities, and (ii) for non-functional currency denominated securities, the impact from weakening non-functional currencies on securities that were near maturity was considered in the evaluation. In addition, measurement methodologies were similar, except: (i) a fair value floor was not utilized to limit the credit loss recognized, (ii) the amortized cost of securities was adjusted for the OTTI to the expected recoverable amount and an ACL was not utilized, (iii) subsequent to a credit loss being recognized, increases in expected cash flows from the security did not result in an immediate increase in valuation recognized in earnings through net investment gains (losses) from reduction of the ACL instead such increases in value were recorded as unrealized gains in OCI, and (iv) in periods subsequent to the recognition of OTTI on a security, the Company accounted for the impaired security as if it had been purchased on the measurement date of the impairment; accordingly, the discount (or reduced premium) based on the new cost basis was accreted over the remaining term of the security in a prospective manner based on the amount and timing of estimated future cash flows.

Evaluation of Fixed Maturity Securities AFS in an Unrealized Loss Position

Gross unrealized losses on securities without an ACL increased $1.5 billion for the six months ended June 30, 2020 to $3.1 billion. The increase in gross unrealized losses for the six months ended June 30, 2020 was primarily attributable to widening credit spreads and movement in foreign currency exchange rates, partially offset by decreases in interest rates.

6. Investments (continued)

Gross unrealized losses on securities without an ACL that have been in a continuous gross unrealized loss position for 12 months or greater were $688 million at June 30, 2020, or 22% of the total gross unrealized losses on securities without an ACL.

Investment Grade Fixed Maturity Securities AFS

Of the $688 million of gross unrealized losses on securities without an ACL that have been in a continuous gross unrealized loss position for 12 months or greater, $549 million, or 80%, were related to 655 investment grade securities. Unrealized losses on investment grade securities are principally related to widening credit spreads since purchase and, with respect to fixed-rate securities, rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities AFS

Of the $688 million of gross unrealized losses on securities without an ACL that have been in a continuous gross unrealized loss position for 12 months or greater, $139 million, or 20%, were related to 153 below investment grade securities. Unrealized losses on below investment grade securities are principally related to U.S. and foreign corporate securities (primarily industrial and consumer), foreign government securities and ABS and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainty, as well as with respect to fixed-rate securities, rising interest rates since purchase. Management evaluates U.S. corporate and foreign corporate securities based on factors such as expected cash flows, financial condition and near-term and long-term prospects of the issuers. Management evaluates foreign government securities based on factors impacting the issuers such as expected cash flows, financial condition of the issuers and any country specific economic conditions or public sector programs to restructure foreign government securities. Management evaluates ABS based on actual and projected cash flows after considering the quality of underlying collateral, credit enhancements, expected prepayment speeds, current and forecasted loss severity, the payment terms of the underlying assets backing a particular security and the payment priority within the tranche structure of the security.

Current Period Evaluation

At June 30, 2020, with respect to securities in an unrealized loss position without an ACL, the Company did not intend to sell these securities, and it was not more likely than not that the Company would be required to sell these securities before the anticipated recovery of the remaining amortized cost. Based on the Company’s current evaluation of its securities in an unrealized loss position without an ACL, the Company concluded that these securities had not incurred a credit loss and should not have an ACL at June 30, 2020.

Future provisions for credit loss will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), and changes in credit ratings and collateral valuation.

Rollforward of Allowance for Credit Loss for Fixed Maturity Securities AFS By Sector

The rollforward of ACL for fixed maturity securities AFS by sector is as follows:

	U.S. Corporate	Foreign Government	Foreign Corporate	RMBS	Total
			(In millions)		
Three Months Ended June 30, 2020					
Balance, beginning of period	$ 51	$ 136	$ —	$ —	$ 187
ACL not previously recorded	7	3	16	2	28
Changes for securities with previously recorded ACL	(7)	(4)	—	—	(11)
Securities sold	(20)	(6)	—	—	(26)
Securities intended/required to be sold prior to recovery of amortized cost basis	(1)	—	—	—	(1)
Balance, end of period	$ 30	$ 129	$ 16	$ 2	$ 177

6. Investments (continued)

	U.S. Corporate	Foreign Government	Foreign Corporate	RMBS	Total
			(In millions)		
Six Months Ended June 30, 2020					
Balance, beginning of period	$ —	$ —	$ —	$ —	$ —
ACL not previously recorded	58	139	16	2	215
Changes for securities with previously recorded ACL	(7)	(4)	—	—	(11)
Securities sold	(20)	(6)	—	—	(26)
Securities intended/required to be sold prior to recovery of amortized cost basis	(1)	—	—	—	(1)
Balance, end of period	$ 30	$ 129	$ 16	$ 2	$ 177

Equity Securities

Equity securities are summarized as follows at:

	June 30, 2020		December 31, 2019	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
		(Dollars in millions)		
Common stock	$ 739	66.9%	$ 944	70.3%
Non-redeemable preferred stock	366	33.1	398	29.7
Total equity securities	$ 1,105	100.0%	$ 1,342	100.0%

Contractholder-Directed Equity Securities and Fair Value Option Securities

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report, contractholder-directed equity securities and FVO securities ("FVO Securities") (collectively, "Unit-linked and FVO Securities") include three categories of investments for which the FVO has been elected, or are otherwise required to be carried at estimated fair value.

Mortgage Loans

<u>Mortgage Loans by Portfolio Segment</u>

Mortgage loans are summarized as follows at:

	June 30, 2020		December 31, 2019	
	Carrying Value	% of Total	Carrying Value	% of Total
		(Dollars in millions)		
Mortgage loans:				
Commercial	$ 51,043	61.6 %	$ 49,624	61.6 %
Agricultural	17,167	20.7	16,695	20.7
Residential	15,060	18.2	14,316	17.8
Total amortized cost	83,270	100.5	80,635	100.1
Allowance for credit loss	(555)	(0.7)	(353)	(0.4)
Subtotal mortgage loans, net	82,715	99.8	80,282	99.7
Residential — FVO	175	0.2	188	0.2
Total mortgage loans held-for-investment, net	82,890	100.0	80,470	99.9
Mortgage loans held-for-sale	—	—	59	0.1
Total mortgage loans, net	$ 82,890	100.0 %	$ 80,529	100.0 %

6. Investments (continued)

Information on commercial, agricultural, and residential mortgage loans is presented in the tables below. Information on residential mortgage loans - FVO is presented in Note 8. The Company elects the FVO for certain residential mortgage loans that are managed on a total return basis.

The amount of net discounts, included within total amortized cost, primarily attributable to residential mortgage loans was $973 million and $867 million at June 30, 2020 and December 31, 2019, respectively. The accrued interest income excluded from total amortized cost for commercial, agricultural and residential mortgage loans at June 30, 2020 and December 31, 2019 was $189 million and $188 million; $179 million and $186 million; and $103 million and $94 million, respectively.

Purchases of mortgage loans, primarily residential, were $417 million and $1.7 billion for the three months and six months ended June 30, 2020, respectively, and $567 million and $1.9 billion for the three months and six months ended June 30, 2019, respectively.

Mortgage Loan Concessions

In response to the adverse economic impact of the COVID-19 Pandemic, the Company granted concessions to certain of its commercial, agricultural and residential mortgage loan borrowers, including payment deferrals and other loan modifications. The Company has elected the option under the *Coronavirus Aid, Relief, and Economic Security Act* and the *Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)* issued by bank regulatory agencies, not to account for or report qualifying concessions as troubled debt restructurings and does not classify such loans as either past due or nonaccrual during the payment deferral period. Additionally, in accordance with the FASB's published response to a COVID-19 Pandemic technical inquiry, the Company continues to accrue interest income on such loans that have deferred payment. The Company records an allowance for credit loss on this accrued interest income.

Commercial

For some commercial mortgage loan borrowers (principally in the retail and hotel sectors), the Company granted concessions which were primarily interest and principal payment deferrals generally ranging from three to four months and, to a much lesser extent, maturity date extensions. Deferred commercial mortgage loan interest and principal payments were $64 million at June 30, 2020.

Agricultural

For some agricultural mortgage loan borrowers (principally in the annual crops and agribusiness sectors), the Company granted concessions which were primarily principal payment deferrals generally ranging from three to 12 months, and covenant changes and, to a much lesser extent, maturity date extensions. Deferred agricultural mortgage loan interest and principal payments were $9 million at June 30, 2020.

Residential

For some residential mortgage loan borrowers, the Company granted concessions which were primarily three-month interest and principal payment deferrals. Deferred residential mortgage loan interest and principal payments were $18 million at June 30, 2020.

6. Investments (continued)

Allowance for Credit Loss Rollforward by Portfolio Segment

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

	Six Months Ended June 30,							
	2020				2019			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$ 246	$ 52	$ 55	$ 353	$ 238	$ 46	$ 58	$ 342
Adoption of new credit loss guidance	(118)	35	161	78	—	—	—	—
Initial credit losses on PCD loans (1)	—	—	16	16	—	—	—	—
Provision (release)	47	6	62	115	8	2	9	19
Charge-offs, net of recoveries	—	(2)	(5)	(7)	—	—	(4)	(4)
Balance, end of period	$ 175	$ 91	$ 289	$ 555	$ 246	$ 48	$ 63	$ 357

____

(1) Represents the initial credit losses on purchased mortgage loans accounted for as purchased financial assets with credit deterioration (“PCD”).

Allowance for Credit Loss Methodology

After the adoption of new guidance on January 1, 2020, the Company records an allowance for expected credit loss in an amount that represents the portion of the amortized cost basis of mortgage loans that the Company does not expect to collect, resulting in mortgage loans being presented at the net amount expected to be collected. In determining the Company’s ACL, management: (i) pools mortgage loans that share similar risk characteristics, (ii) considers lifetime credit loss expected over the contractual term of its mortgage loans adjusted for expected prepayments and any extensions, and (iii) considers past events, current economic conditions and forecasts of future economic conditions. Each of the Company’s commercial, agricultural and residential mortgage loan portfolio segments are evaluated separately. The ACL is calculated for each mortgage loan portfolio segment based on inputs unique to each loan portfolio segment. On a quarterly basis, mortgage loans within a portfolio segment that share similar risk characteristics, such as internal risk ratings or consumer credit scores, are pooled for calculation of ACL. On an ongoing basis, mortgage loans with dissimilar risk characteristics (i.e., loans with significant declines in credit quality), collateral dependent mortgage loans (i.e., when the borrower is experiencing financial difficulty, including when foreclosure is reasonable possible or probable) and reasonably expected troubled debt restructurings (i.e., the Company grants concessions to borrower that is experiencing financial difficulties) are evaluated individually for credit loss. The ACL for loans evaluated individually are established using the same methodologies for all three portfolio segments. For example, the ACL for a collateral dependent loan is established as the excess of amortized cost over the estimated fair value of the loan’s underlying collateral, less selling cost when foreclosure is probable. Accordingly, the change in the estimated fair value of collateral dependent loans, which are evaluated individually for credit loss, is recorded as a change in the ACL which is recorded on a quarterly basis as a charge or credit to earnings in net investment gains (losses).

In accordance with the previous guidance, evaluation and measurement methodologies in determining the ACL were similar, except: (i) credit loss was recognized when incurred (when it was probable, based on current information and events, that all amounts due under the loan agreement would not be collected), (ii) pooling of loans with similar risk characteristics was permitted, but not required, (iii) forecasts of future economic conditions were not considered in the evaluation, (iv) measurement of the expected credit loss over the contractual term, or expected term, was not considered in the measurement, and (v) the credit loss for loans evaluated individually could also be determined using either discounted cash flows using the loans original effective interest rate or observable market prices.

6. Investments (continued)

Commercial and Agricultural Mortgage Loan Portfolio Segments

Commercial and agricultural mortgage loan ACL are calculated in a similar manner. Within each loan portfolio segment, commercial and agricultural, loans are pooled by internal risk rating. Estimated lifetime loss rates, which vary by internal risk rating, are applied to the amortized cost of each loan, excluding accrued investment income, on a quarterly basis to develop the ACL. Internal risk ratings are based on an assessment of the loan's credit quality, which can change over time. The estimated lifetime loss rates are based on several loan portfolio segment-specific factors, including (i) the Company's experience with defaults and loss severity, (ii) expected default and loss severity over the forecast period, (iii) current and forecasted economic conditions including growth, inflation, interest rates and unemployment levels, (iv) loan specific characteristics including loan-to-value ratios, and (v) internal risk ratings. These evaluations are revised as conditions change and new information becomes available. The Company uses its several decades of historical default and loss severity experience which capture multiple economic cycles. The Company uses a forecast of economic assumptions for a two-year period for most of its commercial and agricultural mortgage loans, while a one-year period is used for loans originated in certain markets. After the applicable forecast period, the Company reverts to its historical loss experience using a straight-line basis over two years. For evaluations of commercial mortgage loans, in addition to historical experience, management considers factors that include the impact of a rapid change to the economy, which may not be reflected in the loan portfolio, recent loss and recovery trend experience as compared to historical loss and recovery experience, and loan specific characteristics including debt service coverage ratios. In estimating lifetime credit loss expected over the term of its commercial mortgage loans, the Company adjusts for expected prepayment and extension experience during the forecast period using historical prepayment and extension experience considering the expected position in the economic cycle and the loan profile (i.e., floating rate, shorter-term fixed rate and longer-term fixed rate) and after the forecast period using long-term historical prepayment experience. For evaluations of agricultural mortgage loans, in addition to historical experience, management considers factors that include increased stress in certain sectors, which may be evidenced by higher delinquency rates, or a change in the number of higher risk loans. In estimating lifetime credit loss expected over the term of its agricultural mortgage loans, the Company's experience is much less sensitive to the position in the economic cycle and by loan profile; accordingly, historical prepayment experience is used, while extension terms are not prevalent with the Company's agricultural mortgage loans.

Commercial mortgage loans are reviewed on an ongoing basis, which review includes, but is not limited to, an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. Agricultural mortgage loans are reviewed on an ongoing basis, which review includes, but is not limited to, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios and borrower creditworthiness, as well as reviews on a geographic and property-type basis. The monitoring process for agricultural mortgage loans also focuses on higher risk loans.

For commercial mortgage loans, the primary credit quality indicator is the debt service coverage ratio, which compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. The Company also reviews the loan-to-value ratio of its commercial mortgage loan portfolio. Loan-to-value ratios compare the unpaid principal balance of the loan to the estimated fair value of the underlying collateral. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio and the values utilized in calculating the ratio are updated routinely. In addition, the loan-to-value ratio is routinely updated for all but the lowest risk loans as part of the Company's ongoing review of its commercial mortgage loan portfolio.

For agricultural mortgage loans, the Company's primary credit quality indicator is the loan-to-value ratio. The values utilized in calculating this ratio are developed in connection with the ongoing review of the agricultural mortgage loan portfolio and are routinely updated.

6. Investments (continued)

Commitments to lend: After loans are approved, the Company makes commitments to lend and, typically, borrowers draw down on some or all of the commitments. The timing of mortgage loan funding is based on the commitment expiration dates. A liability for expected credit loss for unfunded commercial and agricultural mortgage loan commitments is recorded within net investment gains (losses). The liability is based on estimated lifetime loss rates as described above and the amount of the outstanding commitments, which for lines of credit, considers estimated utilization rates. When the commitment is funded or expires, the liability is adjusted accordingly.

Residential Mortgage Loan Portfolio Segment

The Company's residential mortgage loan portfolio is comprised primarily of purchased closed end, amortizing residential mortgage loans, including both performing loans purchased within 12 months of origination and reperforming loans purchased after they have been performing for at least 12 months post-modification. Residential mortgage loans are pooled by loan type (i.e., new origination and reperforming) and pooled by similar risk profiles (including consumer credit score and loan-to-value ratios). Estimated lifetime loss rates, which vary by loan type and risk profile, are applied to the amortized cost of each loan excluding accrued investment income on a quarterly basis to develop the ACL. The estimated lifetime loss rates are based on several factors, including (i) industry historical experience and expected results over the forecast period for defaults, (ii) loss severity, (iii) prepayment rates, (iv) current and forecasted economic conditions including growth, inflation, interest rates and unemployment levels, and (v) loan pool specific characteristics including consumer credit scores, loan-to-value ratios, payment history and home prices. These evaluations are revised as conditions change and new information becomes available. The Company uses industry historical experience which captures multiple economic cycles as the Company has purchased most of its residential mortgage loans in the last five years. The Company uses a forecast of economic assumptions for a two-year period for most of its residential mortgage loans. After the applicable forecast period, the Company immediately reverts to industry historical loss experience.

For residential mortgage loans, the Company's primary credit quality indicator is whether the loan is performing or nonperforming. The Company generally defines nonperforming residential mortgage loans as those that are 60 or more days past due and/or in nonaccrual status which is assessed monthly. Generally, nonperforming residential mortgage loans have a higher risk of experiencing a credit loss.

Credit Quality of Mortgage Loans by Portfolio Segment

The amortized cost of commercial mortgage loans by credit quality indicator and vintage year was as follows at June 30, 2020:

	2020	2019	2018	2017	2016	Prior	Revolving Loans	Total	% of Total
					(Dollars in millions)				
Loan-to-value ratios:									
Less than 65%	$ 2,353	$ 5,910	$ 6,642	$ 4,549	$ 5,307	$ 11,489	$ 2,724	$ 38,974	76.4%
65% to 75%	704	3,095	1,896	1,448	767	1,507	—	9,417	18.4
76% to 80%	2	124	—	267	301	185	—	879	1.7
Greater than 80%	24	27	223	453	133	913	—	1,773	3.5
Total	$ 3,083	$ 9,156	$ 8,761	$ 6,717	$ 6,508	$ 14,094	$ 2,724	$ 51,043	100.0%
Debt service coverage ratios:									
> 1.20x	$ 2,980	$ 8,558	$ 8,342	$ 6,193	$ 6,188	$ 12,997	$ 2,724	$ 47,982	94.0%
1.00x - 1.20x	—	82	113	122	320	902	—	1,539	3.0
<1.00x	103	516	306	402	—	195	—	1,522	3.0
Total	$ 3,083	$ 9,156	$ 8,761	$ 6,717	$ 6,508	$ 14,094	$ 2,724	$ 51,043	100.0%

6. Investments (continued)

The amortized cost of agricultural mortgage loans by credit quality indicator and vintage year was as follows at June 30, 2020:

	2020	2019	2018	2017	2016	Prior	Revolving Loans	Total	% of Total
	(Dollars in millions)								
Loan-to-value ratios:									
Less than 65%	$ 1,283	$ 2,418	$ 3,148	$ 1,131	$ 2,688	$ 4,395	$ 964	$ 16,027	93.4%
65% to 75%	66	159	86	46	177	552	—	1,086	6.3
76% to 80%	—	—	—	—	—	12	—	12	0.1
Greater than 80%	—	—	—	—	—	42	—	42	0.2
Total	$ 1,349	$ 2,577	$ 3,234	$ 1,177	$ 2,865	$ 5,001	$ 964	$ 17,167	100.0%

The amortized cost of residential mortgage loans by credit quality indicator and vintage year was as follows at June 30, 2020:

	2020	2019	2018	2017	2016	Prior	Revolving Loans	Total	% of Total
	(Dollars in millions)								
Performance indicators:									
Performing	$ 562	$ 3,106	$ 1,293	$ 449	$ 257	$ 8,996	$ —	$ 14,663	97.4%
Nonperforming (1)	3	11	14	11	10	348	—	397	2.6
Total	$ 565	$ 3,117	$ 1,307	$ 460	$ 267	$ 9,344	$ —	$ 15,060	100.0%

(1) Includes residential mortgage loans in process of foreclosure of $113 million and $118 million at June 30, 2020 and December 31, 2019, respectively.

Past Due and Nonaccrual Mortgage Loans

The Company has a high quality, well performing mortgage loan portfolio, with over 99% of all mortgage loans classified as performing at both June 30, 2020 and December 31, 2019. The Company defines delinquency consistent with industry practice, when mortgage loans are past due more than two or more months, as applicable, by portfolio segment. The past due and nonaccrual mortgage loans at amortized cost, prior to ACL, by portfolio segment, were as follows:

	Past Due		Greater than 90 Days Past Due and Still Accruing Interest		Nonaccrual	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
	(In millions)					
Commercial	$ 8	$ 10	$ 6	$ 9	$ 174	$ 176
Agricultural	277	129	84	7	199	137
Residential	397	452	43	35	354	418
Total	$ 682	$ 591	$ 133	$ 51	$ 727	$ 731

The amortized cost for nonaccrual commercial, agricultural and residential mortgage loans at beginning of year 2019 was $176 million, $105 million and $436 million, respectively. The amortized cost for nonaccrual agricultural mortgage loans with no ACL was $144 million and $93 million at June 30, 2020 and December 31, 2019, respectively. There were no nonaccrual commercial or residential mortgage loans without an ACL at either June 30, 2020 or December 31, 2019.

Purchased Investments with Credit Deterioration

Investments that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination are classified as PCD. The amortized cost for PCD investments is the purchase price plus an ACL for the initial estimate of expected credit losses established upon purchase. Subsequent changes in the ACL on PCD investments are recorded through credit loss expense. The non-credit discount or premium is accreted or amortized to net investment income on an effective yield basis.

6. Investments (continued)

The following table reconciles the contractual principal to the purchase price of PCD investments:

	Six Months Ended June 30, 2020			
	Contractual Principal	ACL at Acquisition	Non-Credit (Discount) Premium	Purchase Price
	(In millions)			
PCD residential mortgage loans	$ 512	$ (16)	$ (18)	$ 478

Real Estate and Real Estate Joint Ventures

The Company's real estate investment portfolio is diversified by property type, geography and income stream, including income from operating leases, operating income and equity in earnings from equity method real estate joint ventures. Real estate investments, by income type, as well as income earned, are as follows at and for the periods indicated:

			Three Months Ended June 30,		Six Months Ended June 30,	
	June 30, 2020	December 31, 2019	2020	2019	2020	2019
	Carrying Value		Income			
	(In millions)					
Leased real estate investments	$ 5,182	$ 4,893	$ 101	$ 90	$ 207	$ 182
Other real estate investments	417	420	24	56	59	90
Real estate joint ventures	5,925	5,428	(23)	33	1	37
Total real estate and real estate joint ventures	$ 11,524	$ 10,741	$ 102	$ 179	$ 267	$ 309

The carrying value of real estate investments acquired through foreclosure was $27 million and $36 million at June 30, 2020 and December 31, 2019, respectively. Depreciation expense on real estate investments was $31 million and $59 million for the three months and six months ended June 30, 2020, respectively, and $25 million and $48 million for the three months and six months ended June 30, 2019, respectively. Real estate investments were net of accumulated depreciation of $1.0 billion and $957 million at June 30, 2020 and December 31, 2019, respectively.

As a result of the COVID-19 Pandemic, earnings from certain of the Company's equity method real estate joint ventures were reduced for the three months and six months ended June 30, 2020, principally hotel properties. Certain of these real estate joint ventures have granted some lessees COVID-19 Pandemic-related lease concessions. See "— Leases — Lease Concessions."

Leases

Leased Real Estate Investments - Operating Leases

The Company, as lessor, leases investment real estate, principally commercial real estate for office and retail use, through a variety of operating lease arrangements, which typically include tenant reimbursement for property operating costs and options to renew or extend the lease. In some circumstances, leases may include an option for the lessee to purchase the property. In addition, certain leases of retail space may stipulate that a portion of the income earned is contingent upon the level of the tenants' revenues. The Company has elected a practical expedient of not separating non-lease components related to reimbursement of property operating costs from associated lease components. These property operating costs have the same timing and pattern of transfer as the related lease component, because they are incurred over the same period of time as the operating lease. Therefore, the combined component is accounted for as a single operating lease. Risk is managed through lessee credit analysis, property type diversification, and geographic diversification.

See Note 8 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report for a summary of leased real estate investments and income earned, by property type.

6. Investments (continued)

Leveraged and Direct Financing Leases

The Company has diversified leveraged lease and direct financing lease portfolios. Its leveraged leases principally include renewable energy generation facilities, rail cars, commercial real estate and commercial aircraft, and its direct financing leases principally include commercial real estate. These assets are leased through a variety of lease arrangements, which may include options to renew or extend the lease and options for the lessee to purchase the property. Residual values are estimated using available third-party data at inception of the lease. Risk is managed through lessee credit analysis, asset allocation, geographic diversification, and ongoing reviews of estimated residual values, using available third-party data and, in certain leases, linking the amount of future rental receipts to changes in inflation rates. Generally, estimated residual values are not guaranteed by the lessee or a third party.

Lease receivables are generally due in periodic installments. The payment periods for leveraged leases generally range from one to 12 years but in certain circumstances can be over 12 years, while the payment periods for direct financing leases generally range from one to 25 years but in certain circumstances can be over 25 years.

In accordance with new guidance adopted January 1, 2020 regarding expected credit loss, the Company records an allowance for expected credit loss in an amount that represents the portion of the investment in leases that the Company does not expect to collect, resulting in the investment in leases being presented at the net amount expected to be collected. In determining the ACL, management: (i) pools leases that share similar risk characteristics, (ii) considers lifetime credit loss expected over the contractual term of the lease, and (iii) considers past events, current economic conditions and forecasts of future economic conditions. Leases with dissimilar risk characteristics are evaluated individually for credit loss. Lifetime credit loss on leveraged lease receivables is estimated using a probability of default and loss given default model, where the probability of default incorporates third party credit ratings of the lessee and the related historical default data. Direct financing leases principally relate to leases of commercial real estate; accordingly, lifetime credit loss is estimated on such lease receivables consistent with the methodology for commercial mortgage loans (see "— Mortgage Loans — Allowance for Credit Loss Methodology"). The Company also assesses the non-guaranteed residual values for recoverability by comparison to the current estimated fair value of the leased asset and considers other relevant market information such as independent third-party forecasts, consulting, asset brokerage and investment banking reports and data, comparable market transactions, and factors such as the competitive dynamics impacting specific industries, technological change and obsolescence, government and regulatory rules, tax policy, potential environmental liabilities and litigation.

Prior to the adoption of the new guidance regarding expected credit loss, lease impairment losses were recorded as incurred. Under the incurred loss model, if all amounts due under the lease agreement would not be collected based on current information and events, an impairment loss was recorded. The impairment loss was recorded as a reduction of the investment in lease and within net investment gains (losses).

The investment in leveraged and direct financing leases, net of ACL, was $888 million and $1.2 billion, respectively, at June 30, 2020. The ACL for leveraged and direct financing leases was $68 million at June 30, 2020. The investment in leveraged and direct financing leases was $1.1 billion and $1.2 billion, respectively, at December 31, 2019.

Lease Concessions

In response to the adverse economic impact of the COVID-19 Pandemic, the Company granted concessions to certain of its lessees (operating and direct financing leases), primarily in the form of rent deferrals. In accordance with a Question and Answer document issued by the FASB in response to the COVID-19 Pandemic, the Company has elected not to evaluate whether such lease concessions are lease modifications, continues to accrue income on such leases and records rent receivables on real estate operating leases. The rent deferrals generally range from one to six months for operating leases and three to six months for commercial real estate direct financing leases. Deferred rental payments for both operating and direct financing leases were $11 million at June 30, 2020. The Company has interests in certain unconsolidated real estate joint ventures which have granted COVID-19 Pandemic-related lease concessions.

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 $12.3 billion and $8.6 billion at June 30, 2020 and December 31, 2019, respectively.

6. Investments (continued)

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity securities AFS and derivatives 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:

	June 30, 2020	December 31, 2019
	(In millions)	
Fixed maturity securities AFS	$ 37,287	$ 30,050
Fixed maturity securities AFS with noncredit OTTI losses included in AOCI	—	33
Total fixed maturity securities AFS	37,287	30,083
Derivatives	5,357	2,209
Other	442	310
Subtotal	43,086	32,602
Amounts allocated from:		
Future policy benefits	(2,218)	(1,019)
DAC, VOBA and DSI	(3,670)	(2,716)
Policyholder dividend obligation	(2,798)	(2,020)
Subtotal	(8,686)	(5,755)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	—	(4)
Deferred income tax benefit (expense)	(8,469)	(6,846)
Net unrealized investment gains (losses)	25,931	19,997
Net unrealized investment gains (losses) attributable to noncontrolling interests	(18)	(16)
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 25,913	$ 19,981

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

	Six Months Ended June 30, 2020
	(In millions)
Balance, beginning of period	$ 19,981
Fixed maturity securities AFS on which noncredit OTTI losses have been recognized	(33)
Unrealized investment gains (losses) during the period	10,517
Unrealized investment gains (losses) relating to:	
Future policy benefits	(1,199)
DAC, VOBA and DSI	(954)
Policyholder dividend obligation	(778)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	4
Deferred income tax benefit (expense)	(1,623)
Net unrealized investment gains (losses)	25,915
Net unrealized investment gains (losses) attributable to noncontrolling interests	(2)
Balance, end of period	$ 25,913
Change in net unrealized investment gains (losses)	$ 5,934
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	(2)
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 5,932

6. Investments (continued)

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, at estimated fair value at June 30, 2020 and December 31, 2019, were in fixed income securities of the Japanese government and its agencies of $33.4 billion and $33.7 billion, respectively, and in fixed income securities of the South Korean government and its agencies of $7.3 billion and $7.3 billion, respectively.

Securities Lending, Repurchase Agreements and Federal Home Loan Bank of Boston Advance Agreements

Securities, Collateral and Reinvestment Portfolio

A summary of the outstanding securities lending, repurchase agreements and Federal Home Loan Bank (“FHLB”) of Boston short-term advance agreements is as follows:

	June 30, 2020			December 31, 2019		
	Securities (1)			Securities (1)		
	Estimated Fair Value	Cash Collateral Received from Counterparties (2), (3)	Reinvestment Portfolio at Estimated Fair Value	Estimated Fair Value	Cash Collateral Received from Counterparties (2), (3)	Reinvestment Portfolio at Estimated Fair Value
	(In millions)					
Securities lending	$ 18,987	$ 19,456	$ 19,572	$ 16,926	$ 17,369	$ 17,451
Repurchase agreements	$ 3,244	$ 3,200	$ 3,216	$ 2,333	$ 2,310	$ 2,320
FHLB of Boston advance agreements	$ 1,119	$ 800	$ 833	$ 1,083	$ 800	$ 843

(1) Securities on loan or securities pledged in connection with these programs are included within fixed maturity securities AFS, short-term investments and cash equivalents.

(2) In connection with securities lending and repurchase agreements, in addition to cash collateral received, the Company received from counterparties security collateral of $25 million and $0 at June 30, 2020 and December 31, 2019, respectively, which is not reflected on the consolidated financial statements.

(3) The liability for cash collateral for these programs is included within payables for collateral under securities loaned, other transactions and other liabilities.

6. Investments (continued)

Contractual Maturities

A summary of the remaining contractual maturities of securities lending, repurchase agreements and FHLB of Boston short-term advance agreements is as follows:

	June 30, 2020					December 31, 2019				
	Remaining Maturities					Remaining Maturities				
	Open (1)	1 Month or Less	Over 1 to 6 Months	Over 6 Months to 1 Year	Total	Open (1)	1 Month or Less	Over 1 to 6 Months	Over 6 Months to 1 Year	Total
	(In millions)									
Cash collateral liability by loaned security type:										
Securities lending:										
U.S. government and agency	$ 4,574	$ 9,723	$ 3,988	$ —	$ 18,285	$ 2,928	$ 6,676	$ 6,663	$ —	$ 16,267
Foreign government	—	202	890	—	1,092	—	259	767	—	1,026
Agency RMBS	—	70	—	—	70	—	76	—	—	76
U.S. corporate	9	—	—	—	9	—	—	—	—	—
Total	$ 4,583	$ 9,995	$ 4,878	$ —	$ 19,456	$ 2,928	$ 7,011	$ 7,430	$ —	$ 17,369
Repurchase agreements:										
U.S. government and agency	$ —	$ 3,200	$ —	$ —	$ 3,200	$ —	$ 2,310	$ —	$ —	$ 2,310
Cash collateral liability by pledged security type: (2)										
FHLB of Boston:										
Municipals	$ —	$ 250	$ 550	$ —	$ 800	$ —	$ 250	$ 475	$ 75	$ 800

(1) The related loaned security could be returned to the Company on the next business day, which would require the Company to immediately return the cash collateral.

(2) The Company is permitted to withdraw any portion of the pledged collateral over the minimum collateral requirement at any time, other than in the event of a default by the Company.

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized under normal market conditions, or both.

The securities lending, repurchase agreements and FHLB of Boston short-term advance agreements reinvestment portfolios consist principally of high quality, liquid, publicly-traded fixed maturity securities AFS, short-term investments, cash equivalents or cash. If the securities on loan, securities pledged or the reinvestment portfolio become less liquid, liquidity resources within the general account are available to meet any potential cash demands when securities on loan or securities pledged are put back by the counterparty.

6. Investments (continued)

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:

	June 30, 2020	December 31, 2019
	(In millions)	
Invested assets on deposit (regulatory deposits)	$ 1,856	$ 2,034
Invested assets held in trust (collateral financing arrangement and reinsurance agreements)	3,233	2,991
Invested assets pledged as collateral (1)	27,765	24,493
Total invested assets on deposit, held in trust and pledged as collateral	$ 32,854	$ 29,518

____

(1) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements, secured debt, a collateral financing arrangement (see Notes 4, 13 and 14 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report) and derivative transactions (see Note 7).

See "— Securities Lending, Repurchase Agreements and Federal Home Loan Bank of Boston Advance Agreements" for information regarding securities supporting securities lending, repurchase agreement transactions and FHLB of Boston short-term advance agreements and Note 5 for information regarding investments designated to the closed block. In addition, the Company's investment in FHLB common stock, which is considered restricted until redeemed by the issuers, was $848 million and $809 million, at redemption value, at June 30, 2020 and December 31, 2019, respectively.

Variable Interest Entities

The Company has invested in legal entities 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.

<u>Consolidated VIEs</u>

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.

The following table presents the total assets and total liabilities relating to investment-related VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at:

	June 30, 2020		December 31, 2019	
	Total Assets (1)	Total Liabilities	Total Assets (1)	Total Liabilities
	(In millions)			
Investment funds	$ 218	$ 1	$ 207	$ 1
Renewable energy partnership	91	—	94	—
Other investments	12	5	10	5
Total	$ 321	$ 6	$ 311	$ 6

____

(1) Assets of the investment funds, renewable energy partnership and other investments primarily consisted of other invested assets.

6. 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:

	June 30, 2020		December 31, 2019	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured Products (2)	$ 57,150	$ 57,150	$ 51,962	$ 51,962
U.S. and foreign corporate	2,036	2,036	1,764	1,764
Foreign government	134	134	136	136
Other limited partnership interests	6,770	13,431	6,674	12,016
Other invested assets	1,388	1,491	1,495	1,621
Other investments	537	584	450	497
Total	$ 68,015	$ 74,826	$ 62,481	$ 67,996

(1) The maximum exposure to loss relating to fixed maturity 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 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 $5 million and $6 million at June 30, 2020 and December 31, 2019, 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 15, 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 for either the six months ended June 30, 2020 or 2019.

The Company securitizes certain residential mortgage loans and acquires an interest in the related RMBS issued. While the Company has a variable interest in the issuer of the securities, it is not the primary beneficiary of the issuer of the securities since it does not have any rights to remove the servicer or veto rights over the servicer's actions. The estimated fair value of the related RMBS acquired in connection with the securitizations is included in the carrying amount and maximum exposure to loss for Structured Products presented in the table above. For both the three months and six months ended June 30, 2019, the carrying value and the estimated fair value of residential mortgage loans securitized were $443 million and $467 million, respectively, resulting in a gain of $24 million which is included within net investment gains (losses). The estimated fair value of RMBS acquired in connection with the securitizations was $133 million at June 30, 2019. See Note 8 for information on how the estimated fair value of mortgage loans and RMBS is determined, the valuation approaches and key inputs, their placement in the fair value hierarchy and, for certain RMBS, quantitative information about the significant unobservable inputs and the sensitivity of their estimated fair value to changes in those inputs.

6. Investments (continued)

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Investment income:				
Fixed maturity securities AFS	$ 2,787	$ 3,024	$ 5,662	$ 5,963
Equity securities	11	15	25	32
FVO Securities (1)	114	38	36	93
Mortgage loans	862	943	1,746	1,855
Policy loans	124	129	250	257
Real estate and real estate joint ventures	102	179	267	309
Other limited partnership interests	(607)	243	(287)	366
Cash, cash equivalents and short-term investments	52	113	144	241
Operating joint ventures	31	38	56	56
Other	29	71	131	149
Subtotal	3,505	4,793	8,030	9,321
Less: Investment expenses	236	361	560	717
Subtotal, net	3,269	4,432	7,470	8,604
Unit-linked investments (1)	818	261	(322)	997
Net investment income	$ 4,087	$ 4,693	$ 7,148	$ 9,601

____

(1) Changes in estimated fair value subsequent to purchase for investments still held as of the end of the respective periods and included in net investment income were principally from contractholder-directed equity securities supporting unit-linked variable annuity type liabilities (“Unit-linked investments”), and were $766 million and ($322) million for the three months and six months ended June 30, 2020, respectively, and $149 million and $757 million for the three months and six months ended June 30, 2019, respectively.

The Company invests in real estate joint ventures, other limited partnership interests and tax credit and renewable energy partnerships, and also does business through certain operating joint ventures, the majority of which are accounted for under the equity method. Net investment income (loss) from such investments totaled ($688) million and ($365) million for the three months and six months ended June 30, 2020, respectively, and $241 million and $330 million for the three months and six months ended June 30, 2019, respectively.

6. 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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Total gains (losses) on fixed maturity securities AFS:				
Net credit loss (provision) release (1)	$ (8)	$ —	$ (223)	$ (10)
Net gains (losses) on sales and disposals	158	138	377	124
Total gains (losses) on fixed maturity securities AFS	150	138	154	114
Total gains (losses) on equity securities:				
Net gains (losses) on sales and disposals	3	4	11	47
Change in estimated fair value (2)	69	(6)	(223)	58
Total gains (losses) on equity securities	72	(2)	(212)	105
Mortgage loans	(80)	14	(143)	(1)
Real estate and real estate joint ventures	2	1	3	6
Other limited partnership interests	1	—	5	—
Other (3), (4)	97	(42)	122	(110)
Subtotal	242	109	(71)	114
Change in estimated fair value of other limited partnership interests and real estate joint ventures	(13)	3	(12)	(12)
Non-investment portfolio gains (losses)	2	(51)	26	(26)
Subtotal	(11)	(48)	14	(38)
Total net investment gains (losses)	$ 231	$ 61	$ (57)	$ 76

____

(1) Net credit loss provision by sector for industrial corporate securities and RMBS for the six months ended June 30, 2019 were $8 million and $2 million, respectively. See "— Rollforward of Allowance for Credit Loss for Fixed Maturity Securities AFS By Sector." Due to the adoption of new guidance on January 1, 2020, prior period OTTI loss is presented as credit loss.

(2) Changes in estimated fair value subsequent to purchase for equity securities still held as of the end of the period included in net investment gains (losses) were $63 million and ($193) million for the three months and six months ended June 30, 2020, respectively, and ($1) million and $92 million for the three months and six months ended June 30, 2019, respectively.

(3) Other gains (losses) included a leveraged lease gain of $81 million for both the three months and six months ended June 30, 2020 and a de-designated cash flow hedge gain of $43 million and $55 million for the three months and six months ended June 30, 2020, respectively.

(4) Other gains (losses) for the three months and six months ended June 30, 2019 included tax credit partnership impairment losses of $14 million and $92 million, respectively, and a renewable energy partnership disposal gain of $46 million for the six months ended June 30, 2019.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were $19 million and $70 million for the three months and six months ended June 30, 2020, respectively, and $25 million and $39 million for the three months and six months ended June 30, 2019, respectively.

6. Investments (continued)

Fixed Maturity Securities AFS - Sales and Disposals and Credit Loss

Sales of securities are determined on a specific identification basis. Proceeds from sales or disposals and the components of net investment gains (losses) were as shown in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Proceeds	$ 9,981	$ 13,895	$ 22,070	$ 29,720
Gross investment gains	$ 424	$ 262	$ 761	$ 467
Gross investment losses	(266)	(124)	(384)	(343)
Net credit loss (provision) release	(8)	—	(223)	(10)
Net investment gains (losses)	$ 150	$ 138	$ 154	$ 114

7. 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 estimated 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 derivative’s 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 • Derivatives held within 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 the same line item as the earnings effect of the hedged item. The carrying value of the hedged recognized asset or liability is adjusted for changes in its estimated fair value due to the hedged risk.
- 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 - in OCI and reclassified into the statement of operations when the Company’s earnings are affected by the variability in cash flows of the hedged item.
- Net investment in a foreign operation (“NIFO”) hedge - in OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation.

7. Derivatives (continued)

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. 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 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 occurring, 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.

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 of occurring are recognized immediately in net investment 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 issues certain products, which include variable annuities 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 estimated fair value with changes in estimated 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). 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 8 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 markets.

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, interest rate total return 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 nonqualifying 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. government and agency, or other fixed maturity securities AFS. Structured interest rate swaps are included in interest rate swaps and are not designated as hedging instruments.

Interest rate total return swaps 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 a benchmark interest rate, 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. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. Interest rate total return swaps are used by the Company to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). The Company utilizes interest rate total return swaps in nonqualifying hedging relationships.

The Company purchases interest rate caps 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, and interest rate floors primarily to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level. 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 nonqualifying 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, to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts and to pledge initial margin based on futures exchange requirements. 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 issued by the Company. The Company utilizes exchange-traded interest rate futures in nonqualifying hedging relationships.

7. Derivatives (continued)

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 nonqualifying 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 and nonqualifying hedging relationships.

A synthetic guaranteed interest contract ("GIC") is a contract that simulates the performance of a traditional GIC through the use of financial instruments. The contractholder owns the underlying assets, and the Company provides a guarantee (or "wrap") on the participant funds for an annual risk charge. The Company's maximum exposure to loss on synthetic GICs is the notional amount, in the event the values of all of the underlying assets were reduced to zero. The Company's risk is substantially lower due to contractual provisions that limit the portfolio to high quality assets, which are pre-approved and monitored for compliance, as well as the collection of risk charges. In addition, the crediting rates reset periodically to amortize market value gains and losses over a period equal to the duration of the wrapped portfolio, subject to a 0% floor. While plan participants may transact at book value, contractholder withdrawals may only occur immediately at market value, or at book value paid over a period of time per contract provisions. Synthetic GICs are not designated as hedging instruments.

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 nonqualifying 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, NIFO hedges and nonqualifying 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 non-U.S. subsidiaries. The Company utilizes currency options in NIFO hedges and nonqualifying hedging relationships.

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 issued by the Company. The Company utilizes exchange-traded currency futures in nonqualifying hedging relationships.

7. Derivatives (continued)

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 and involuntary restructuring for corporate obligors, as well as repudiation, moratorium or governmental intervention for sovereign obligors. 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 nonqualifying 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. government and agency, or other fixed maturity securities AFS. 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 equity total return swaps.

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products issued by the Company. To hedge against adverse changes in equity indices, the Company enters into contracts to sell the underlying 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 nonqualifying hedging relationships.

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products issued 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 nonqualifying 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, to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts and to pledge initial margin based on futures exchange requirements. 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 issued by the Company. The Company utilizes exchange-traded equity futures in nonqualifying hedging relationships.

In an equity total return swap, 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 a benchmark interest rate, 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 equity total return swaps to hedge its equity market guarantees in certain of its insurance products. Equity total return swaps can be used as hedges or to synthetically create investments. The Company utilizes equity total return swaps in nonqualifying hedging relationships.

Table of Contents

7. Derivatives (continued)

Primary Risks Managed by Derivatives

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

		June 30, 2020			December 31, 2019		
		Gross Notional Amount	Estimated Fair Value		Gross Notional Amount	Estimated Fair Value	
	Primary Underlying Risk Exposure		Assets	Liabilities		Assets	Liabilities
				(In millions)			
Derivatives Designated as Hedging Instruments:							
Fair value hedges:							
Interest rate swaps	Interest rate	$ 3,220	$ 3,401	$ 13	$ 2,369	$ 2,667	$ 2
Foreign currency swaps	Foreign currency exchange rate	1,073	45	1	1,304	16	17
Foreign currency forwards	Foreign currency exchange rate	2,036	10	28	2,336	1	40
Subtotal		6,329	3,456	42	6,009	2,684	59
Cash flow hedges:							
Interest rate swaps	Interest rate	4,972	124	35	3,675	145	27
Interest rate forwards	Interest rate	8,038	871	64	7,364	83	144
Foreign currency swaps	Foreign currency exchange rate	37,278	3,165	1,971	36,983	1,627	1,430
Subtotal		50,288	4,160	2,070	48,022	1,855	1,601
NIFO hedges:							
Foreign currency forwards	Foreign currency exchange rate	595	24	6	1,059	—	10
Currency options	Foreign currency exchange rate	3,200	68	—	4,200	33	91
Subtotal		3,795	92	6	5,259	33	101
Total qualifying hedges		60,412	7,708	2,118	59,290	4,572	1,761
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate swaps	Interest rate	51,032	4,269	83	58,083	2,867	185
Interest rate floors	Interest rate	12,701	436	—	12,701	155	—
Interest rate caps	Interest rate	55,631	21	—	42,622	18	5
Interest rate futures	Interest rate	1,779	2	—	2,423	2	3
Interest rate options	Interest rate	27,650	1,007	—	27,344	764	1
Interest rate forwards	Interest rate	130	3	1	129	1	2
Interest rate total return swaps	Interest rate	1,048	79	6	1,048	5	49
Synthetic GICs	Interest rate	34,921	—	—	30,341	—	—
Foreign currency swaps	Foreign currency exchange rate	14,238	1,130	635	13,699	644	461
Foreign currency forwards	Foreign currency exchange rate	13,674	60	443	13,507	50	393
Currency futures	Foreign currency exchange rate	883	—	6	880	7	—
Currency options	Foreign currency exchange rate	1,800	—	—	1,801	—	—
Credit default swaps — purchased	Credit	3,031	25	105	2,944	4	102
Credit default swaps — written	Credit	10,780	120	13	11,520	272	1
Equity futures	Equity market	4,461	3	45	4,540	6	8
Equity index options	Equity market	24,873	975	409	27,105	694	677
Equity variance swaps	Equity market	937	33	12	1,115	23	19
Equity total return swaps	Equity market	2,250	—	125	761	—	70
Total non-designated or nonqualifying derivatives		261,819	8,163	1,883	252,563	5,512	1,976
Total		$ 322,231	$ 15,871	$ 4,001	$ 311,853	$ 10,084	$ 3,737

7. 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 June 30, 2020 and December 31, 2019. 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 and interest rate swaps that are used to synthetically create investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these nonqualified 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.

7. Derivatives (continued)

The Effects of Derivatives on the Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

The following table presents the interim condensed consolidated financial statement location and amount of gain (loss) recognized on fair value, cash flow, NIFO, nonqualifying hedging relationships and embedded derivatives:

	Three Months Ended June 30, 2020						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivative Gains (Losses)	Policyholder Benefits and Claims	Interest Credited to Policyholder Account Balances	Other Expenses	OCI
	(In millions)						
Gain (Loss) on Fair Value Hedges:							
Interest rate derivatives:							
Derivatives designated as hedging instruments (1)	$ (1)	$ —	$ —	$ (31)	$ —	$ —	N/A
Hedged items	4	—	—	17	—	—	N/A
Foreign currency exchange rate derivatives:							
Derivatives designated as hedging instruments (1)	(5)	2	—	—	—	—	N/A
Hedged items	5	(3)	—	—	—	—	N/A
Amount excluded from the assessment of hedge effectiveness	—	(14)	—	—	—	—	N/A
Subtotal	3	(15)	—	(14)	—	—	N/A
Gain (Loss) on Cash Flow Hedges:							
Interest rate derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	$ (108)
Amount of gains (losses) reclassified from AOCI into income	9	42	—	—	—	—	(51)
Foreign currency exchange rate derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	(445)
Amount of gains (losses) reclassified from AOCI into income	1	287	—	—	—	1	(289)
Foreign currency transaction gains (losses) on hedged items	—	(250)	—	—	—	—	—
Credit derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	(86)
Amount of gains (losses) reclassified from AOCI into income	—	—	—	—	—	—	—
Subtotal	10	79	—	—	—	1	(979)
Gain (Loss) on NIFO Hedges:							
Foreign currency exchange rate derivatives (1)	N/A	N/A	N/A	N/A	N/A	N/A	(11)
Non-derivative hedging instruments	N/A	N/A	N/A	N/A	N/A	N/A	(1)
Subtotal	N/A	N/A	N/A	N/A	N/A	N/A	(12)
Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate derivatives (1)	(2)	—	(212)	19	—	—	N/A
Foreign currency exchange rate derivatives (1)	—	—	(132)	(1)	—	—	N/A
Credit derivatives — purchased (1)	—	—	(61)	—	—	—	N/A
Credit derivatives — written (1)	—	—	162	—	—	—	N/A
Equity derivatives (1)	—	—	(1,043)	(99)	—	—	N/A
Foreign currency transaction gains (losses) on hedged items	—	—	(3)	—	—	—	N/A
Subtotal	(2)	—	(1,289)	(81)	—	—	N/A
Earned income on derivatives	69	—	208	44	(38)	—	—
Embedded derivatives (2)	N/A	N/A	371	—	N/A	N/A	N/A
Total	$ 80	$ 64	$ (710)	$ (51)	$ (38)	$ 1	$ (991)

7. Derivatives (continued)

	Three Months Ended June 30, 2019						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivative Gains (Losses)	Policyholder Benefits and Claims	Interest Credited to Policyholder Account Balances	Other Expenses	OCI
	(In millions)						
Gain (Loss) on Fair Value Hedges:							
Interest rate derivatives:							
Derivatives designated as hedging instruments (1)	$ (1)	$ —	$ —	$ 205	$ —	$ —	N/A
Hedged items	2	—	—	(206)	—	—	N/A
Foreign currency exchange rate derivatives:							
Derivatives designated as hedging instruments (1)	10	59	—	—	—	—	N/A
Hedged items	(11)	(54)	—	—	—	—	N/A
Amount excluded from the assessment of hedge effectiveness	—	(22)	—	—	—	—	N/A
Subtotal	—	(17)	—	(1)	—	—	N/A
Gain (Loss) on Cash Flow Hedges:							
Interest rate derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	$ 358
Amount of gains (losses) reclassified from AOCI into income	6	4	—	—	—	—	(10)
Foreign currency exchange rate derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	300
Amount of gains (losses) reclassified from AOCI into income	(1)	83	—	—	—	1	(83)
Foreign currency transaction gains (losses) on hedged items	—	(90)	—	—	—	—	—
Credit derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	—
Amount of gains (losses) reclassified from AOCI into income	—	(1)	—	—	—	—	1
Subtotal	5	(4)	—	—	—	1	566
Gain (Loss) on NIFO Hedges:							
Foreign currency exchange rate derivatives (1)	N/A	N/A	N/A	N/A	N/A	N/A	(37)
Non-derivative hedging instruments	N/A	N/A	N/A	N/A	N/A	N/A	(7)
Subtotal	N/A	N/A	N/A	N/A	N/A	N/A	(44)
Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate derivatives (1)	(1)	—	857	12	—	—	N/A
Foreign currency exchange rate derivatives (1)	—	—	136	(4)	—	—	N/A
Credit derivatives — purchased (1)	—	—	(5)	—	—	—	N/A
Credit derivatives — written (1)	—	—	50	—	—	—	N/A
Equity derivatives (1)	—	—	(182)	(30)	—	—	N/A
Foreign currency transaction gains (losses) on hedged items	—	—	(111)	—	—	—	N/A
Subtotal	(1)	—	745	(22)	—	—	N/A
Earned income on derivatives	60	—	125	33	(36)	—	—
Embedded derivatives (2)	N/A	N/A	(146)	—	N/A	N/A	N/A
Total	$ 64	$ (21)	$ 724	$ 10	$ (36)	$ 1	$ 522

MetLife, Inc.

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

7. Derivatives (continued)

	Six Months Ended June 30, 2020						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivative Gains (Losses)	Policyholder Benefits and Claims	Interest Credited to Policyholder Account Balances	Other Expenses	OCI
	(In millions)						
Gain (Loss) on Fair Value Hedges:							
Interest rate derivatives:							
Derivatives designated as hedging instruments (1)	$ (12)	$ —	$ —	$ 743	$ —	$ —	N/A
Hedged items	9	—	—	(752)	—	—	N/A
Foreign currency exchange rate derivatives:							
Derivatives designated as hedging instruments (1)	67	14	—	—	—	—	N/A
Hedged items	(60)	(13)	—	—	—	—	N/A
Amount excluded from the assessment of hedge effectiveness	—	(34)	—	—	—	—	N/A
Subtotal	4	(33)	—	(9)	—	—	N/A
Gain (Loss) on Cash Flow Hedges:							
Interest rate derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	$ 1,903
Amount of gains (losses) reclassified from AOCI into income	15	48	—	—	—	1	(64)
Foreign currency exchange rate derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	1,169
Amount of gains (losses) reclassified from AOCI into income	1	(164)	—	—	—	1	162
Foreign currency transaction gains (losses) on hedged items	—	203	—	—	—	—	—
Credit derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	(24)
Amount of gains (losses) reclassified from AOCI into income	—	—	—	—	—	—	—
Subtotal	16	87	—	—	—	2	3,146
Gain (Loss) on NIFO Hedges:							
Foreign currency exchange rate derivatives (1)	N/A	N/A	N/A	N/A	N/A	N/A	99
Non-derivative hedging instruments	N/A	N/A	N/A	N/A	N/A	N/A	(3)
Subtotal	N/A	N/A	N/A	N/A	N/A	N/A	96
Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate derivatives (1)	(6)	—	3,965	67	—	—	N/A
Foreign currency exchange rate derivatives (1)	—	—	3	(9)	—	—	N/A
Credit derivatives — purchased (1)	—	—	12	—	—	—	N/A
Credit derivatives — written (1)	—	—	(149)	—	—	—	N/A
Equity derivatives (1)	—	—	516	109	—	—	N/A
Foreign currency transaction gains (losses) on hedged items	—	—	(160)	—	—	—	N/A
Subtotal	(6)	—	4,187	167	—	—	N/A
Earned income on derivatives	146	—	355	83	(82)	—	—
Embedded derivatives (2)	N/A	N/A	(1,051)	—	N/A	N/A	N/A
Total	$ 160	$ 54	$ 3,491	$ 241	$ (82)	$ 2	$ 3,242

Table of Contents

7. Derivatives (continued)

	Six Months Ended June 30, 2019						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivative Gains (Losses)	Policyholder Benefits and Claims	Interest Credited to Policyholder Account Balances	Other Expenses	OCI
	(In millions)						
Gain (Loss) on Fair Value Hedges:							
Interest rate derivatives:							
Derivatives designated as hedging instruments (1)	$ (4)	$ —	$ —	$ 332	$ —	$ —	N/A
Hedged items	5	—	—	(334)	—	—	N/A
Foreign currency exchange rate derivatives:							
Derivatives designated as hedging instruments (1)	(20)	45	—	—	—	—	N/A
Hedged items	18	(42)	—	—	—	—	N/A
Amount excluded from the assessment of hedge effectiveness	—	(38)	—	—	—	—	N/A
Subtotal	(1)	(35)	—	(2)	—	—	N/A
Gain (Loss) on Cash Flow Hedges:							
Interest rate derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	$ 610
Amount of gains (losses) reclassified from AOCI into income	11	(2)	—	—	—	1	(10)
Foreign currency exchange rate derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	59
Amount of gains (losses) reclassified from AOCI into income	(3)	108	—	—	—	1	(106)
Foreign currency transaction gains (losses) on hedged items	—	(125)	—	—	—	—	—
Credit derivatives: (1)							
Amount of gains (losses) deferred in AOCI	N/A	N/A	N/A	N/A	N/A	N/A	—
Amount of gains (losses) reclassified from AOCI into income	—	—	—	—	—	—	—
Subtotal	8	(19)	—	—	—	2	553
Gain (Loss) on NIFO Hedges:							
Foreign currency exchange rate derivatives (1)	N/A	N/A	N/A	N/A	N/A	N/A	(43)
Non-derivative hedging instruments	N/A	N/A	N/A	N/A	N/A	N/A	(7)
Subtotal	N/A	N/A	N/A	N/A	N/A	N/A	(50)
Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate derivatives (1)	(2)	—	1,266	31	—	—	N/A
Foreign currency exchange rate derivatives (1)	—	—	(6)	(1)	—	—	N/A
Credit derivatives — purchased (1)	—	—	(20)	—	—	—	N/A
Credit derivatives — written (1)	—	—	186	—	—	—	N/A
Equity derivatives (1)	—	—	(849)	(126)	—	—	N/A
Foreign currency transaction gains (losses) on hedged items	—	—	(29)	—	—	—	N/A
Subtotal	(2)	—	548	(96)	—	—	N/A
Earned income on derivatives	116	—	244	65	(68)	—	—
Embedded derivatives (2)	N/A	N/A	47	—	N/A	N/A	N/A
Total	$ 121	$ (54)	$ 839	$ (33)	$ (68)	$ 2	$ 503

(1) Excludes earned income on derivatives.

(2) 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 ($110) million and $75 million for the three months and six months ended June 30, 2020, respectively, and ($13) million and ($75) million for the three months and six months ended June 30, 2019, respectively.

7. Derivatives (continued)

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.

The following table presents the balance sheet classification, carrying amount and cumulative fair value hedging adjustments for items designated and qualifying as hedged items in fair value hedges:

Balance Sheet Line Item	Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of Hedged Assets/(Liabilities) (1)	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
	(In millions)			
Fixed maturity securities AFS	$ 2,635	$ 2,736	$ (1)	$ (1)
Mortgage loans	$ 816	$ 1,159	$ 21	$ 2
Future policy benefits	$ (5,747)	$ (4,475)	$ (1,660)	$ (908)

(1) At both June 30, 2020 and December 31, 2019, the hedging adjustments on discontinued hedging relationships includes ($1) million.

For the Company’s foreign currency forwards, the change in the estimated 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. The Company has elected to record changes in estimated fair value of excluded components in earnings. For all other derivatives, all components of each derivative’s gain or loss were included in the assessment of hedge effectiveness.

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 amounts from AOCI into income. These amounts were $32 million and $27 million for the three months and six months ended June 30, 2020, respectively, and $57 million and $58 million for the three months and six months ended June 30, 2019, respectively.

At June 30, 2020 and December 31, 2019, 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 nine years and eight years, respectively.

At June 30, 2020 and December 31, 2019, the balance in AOCI associated with cash flow hedges was $5.4 billion and $2.2 billion, respectively.

All components of each derivative’s gain or loss were included in the assessment of hedge effectiveness.

At June 30, 2020, the Company expected to reclassify ($1) million of deferred net gains (losses) on derivatives in AOCI to earnings within the next 12 months.

7. Derivatives (continued)

NIFO Hedges

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 also designates a portion of its foreign-denominated debt as a non-derivative hedging instrument of its net investments in foreign operations. The Company assesses hedge effectiveness of its derivatives based upon the change in forward rates and assesses its non-derivative hedging instruments based upon the change in spot rates. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

When net investments in foreign operations are sold or substantially liquidated, the amounts in AOCI are reclassified to the statement of operations.

At June 30, 2020 and December 31, 2019, the cumulative foreign currency translation gain (loss) recorded in AOCI related to NIFO hedges was $244 million and $148 million, respectively. At June 30, 2020 and December 31, 2019, the carrying amount of debt designated as a non-derivative hedging instrument was $390 million and $387 million, respectively.

Credit Derivatives

In connection with synthetically created credit investment transactions, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the effects of derivatives on the interim condensed consolidated statements of operations and comprehensive income (loss) 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 $10.8 billion and $11.5 billion at June 30, 2020 and December 31, 2019, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps. At June 30, 2020 and December 31, 2019, the Company would have received $107 million and $271 million, respectively, to terminate all of these contracts.

7. Derivatives (continued)

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:

	June 30, 2020			December 31, 2019		
Rating Agency Designation of Referenced Credit Obligations (1)	**Estimated Fair Value of Credit Default Swaps**	**Maximum Amount of Future Payments under Credit Default Swaps**	**Weighted Average Years to Maturity (2)**	**Estimated Fair Value of Credit Default Swaps**	**Maximum Amount of Future Payments under Credit Default Swaps**	**Weighted Average Years to Maturity (2)**
			(Dollars in millions)			
Aaa/Aa/A						
Single name credit default swaps (3)	$ 4	$ 247	1.9	$ 4	$ 298	1.7
Credit default swaps referencing indices	16	2,106	2.0	35	2,175	2.2
Subtotal	20	2,353	2.0	39	2,473	2.2
Baa						
Single name credit default swaps (3)	1	266	2.4	3	216	1.5
Credit default swaps referencing indices	88	7,988	5.0	203	8,539	5.0
Subtotal	89	8,254	4.9	206	8,755	4.9
Ba						
Single name credit default swaps (3)	(1)	20	2.2	—	9	5.0
Subtotal	(1)	20	2.2	—	9	5.0
B						
Single name credit default swaps (3)	—	—	—	—	10	0.5
Credit default swaps referencing indices	(1)	153	4.6	26	273	5.0
Subtotal	(1)	153	4.6	26	283	4.8
Total	$ 107	$ 10,780	4.3	$ 271	$ 11,520	4.3

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P") and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.

(2) The weighted average years to maturity of the credit default swaps is calculated based on weighted average gross notional amounts.

(3) Single name credit default swaps may be referenced to the credit of corporations, foreign governments, or municipals.

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by its 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 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. 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.

7. Derivatives (continued)

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 8 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:

	June 30, 2020		December 31, 2019	
Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	$ 15,493	$ 3,845	$ 9,574	$ 3,624
OTC-cleared (1)	526	116	606	81
Exchange-traded	5	51	15	11
Total gross estimated fair value of derivatives presented on the interim condensed consolidated balance sheets (1)	16,024	4,012	10,195	3,716
Gross amounts not offset on the interim condensed consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(2,860)	(2,860)	(2,664)	(2,664)
OTC-cleared	(33)	(33)	(38)	(38)
Exchange-traded	—	—	(2)	(2)
Cash collateral: (3), (4)				
OTC-bilateral	(9,896)	—	(5,317)	—
OTC-cleared	(467)	(6)	(560)	(4)
Exchange-traded	—	(12)	—	(5)
Securities collateral: (5)				
OTC-bilateral	(2,557)	(886)	(1,521)	(935)
OTC-cleared	—	(69)	—	(39)
Exchange-traded	—	(39)	—	(4)
Net amount after application of master netting agreements and collateral	$ 211	$ 107	$ 93	$ 25

(1) At June 30, 2020 and December 31, 2019, derivative assets included income (expense) accruals reported in accrued investment income or in other liabilities of $153 million and $111 million, respectively, and derivative liabilities included (income) expense accruals reported in accrued investment income or in other liabilities of $11 million and ($21) 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, where the centralized clearinghouse treats variation margin as collateral, is included in cash and cash equivalents, short-term investments or in fixed maturity securities AFS, and the obligation to return it is included in payables for collateral under securities loaned and other transactions on the balance sheet.

7. Derivatives (continued)

(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 June 30, 2020 and December 31, 2019, the Company received excess cash collateral of $314 million and $389 million, respectively, and provided excess cash collateral of $264 million and $266 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 June 30, 2020, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities AFS 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 June 30, 2020 and December 31, 2019, the Company received excess securities collateral with an estimated fair value of $201 million and $156 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At June 30, 2020 and December 31, 2019, the Company provided excess securities collateral with an estimated fair value of $139 million and $189 million, respectively, for its OTC-bilateral derivatives, and $2.4 billion and $1.0 billion, respectively, for its OTC-cleared derivatives, and $271 million and $143 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

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 collateral amount owed by that counterparty reaches a minimum transfer amount. All 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 or financial strength rating, as applicable, 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. A small number of these arrangements also include credit-contingent provisions that include a threshold above which collateral must be posted. Such agreements 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 MetLife, Inc. and/or the counterparty. At June 30, 2020, the amount of collateral not provided by the Company due to the existence of these thresholds was $15 million.

The following table presents the estimated fair value of the Company's OTC-bilateral derivatives that were 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.

	June 30, 2020			December 31, 2019		
	Derivatives Subject to Credit-Contingent Provisions	Derivatives Not Subject to Credit-Contingent Provisions	Total	Derivatives Subject to Credit-Contingent Provisions	Derivatives Not Subject to Credit-Contingent Provisions	Total
	(In millions)					
Estimated Fair Value of Derivatives in a Net Liability Position (1)	$ 859	$ 126	$ 985	$ 874	$ 85	$ 959
Estimated Fair Value of Collateral Provided:						
Fixed maturity securities AFS	$ 810	$ 130	$ 940	$ 983	$ 80	$ 1,063

(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.

7. Derivatives (continued)

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	June 30, 2020	December 31, 2019
		(In millions)	
Embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$ 69	$ 60
Embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	Policyholder account balances	$ 1,411	$ 312
Assumed guaranteed minimum benefits	Policyholder account balances	397	312
Funds withheld on ceded reinsurance	Other liabilities	46	36
Fixed annuities with equity indexed returns	Policyholder account balances	105	130
Other guarantees	Policyholder account balances	35	12
Embedded derivatives within liability host contracts		$ 1,994	$ 802

8. Fair Value

Considerable judgment is often required in interpreting the market data used 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.

8. Fair Value (continued)

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 at:

	June 30, 2020			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities AFS:				
U.S. corporate	$ —	$ 80,921	$ 9,191	$ 90,112
Foreign government	—	65,649	57	65,706
Foreign corporate	—	51,276	11,541	62,817
U.S. government and agency	22,074	25,213	—	47,287
RMBS	477	27,730	3,668	31,875
ABS	—	15,394	930	16,324
Municipals	—	14,611	—	14,611
CMBS	—	10,494	779	11,273
Total fixed maturity securities AFS	22,551	291,288	26,166	340,005
Equity securities	556	176	373	1,105
Unit-linked and FVO Securities (1)	9,406	1,916	589	11,911
Short-term investments (2)	3,019	1,836	7	4,862
Residential mortgage loans — FVO	—	—	175	175
Other investments	70	174	491	735
Derivative assets: (3)				
Interest rate	2	9,258	953	10,213
Foreign currency exchange rate	—	4,474	28	4,502
Credit	—	126	19	145
Equity market	3	957	51	1,011
Total derivative assets	5	14,815	1,051	15,871
Embedded derivatives within asset host contracts (4)	—	—	69	69
Separate account assets (5)	84,717	101,559	1,067	187,343
Total assets (6)	$ 120,324	$ 411,764	$ 29,988	$ 562,076
Liabilities				
Derivative liabilities: (3)				
Interest rate	$ —	$ 131	$ 71	$ 202
Foreign currency exchange rate	6	2,918	166	3,090
Credit	—	114	4	118
Equity market	45	534	12	591
Total derivative liabilities	51	3,697	253	4,001
Embedded derivatives within liability host contracts (4)	—	—	1,994	1,994
Separate account liabilities (5)	1	27	11	39
Total liabilities	$ 52	$ 3,724	$ 2,258	$ 6,034

8. Fair Value (continued)

	December 31, 2019			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities AFS:				
U.S. corporate	$ —	$ 81,501	$ 6,252	$ 87,753
Foreign government	—	67,112	117	67,229
Foreign corporate	—	56,188	7,977	64,165
U.S. government and agency	21,058	21,026	—	42,084
RMBS	3	25,682	2,862	28,547
ABS	—	13,326	1,216	14,542
Municipals	—	13,046	7	13,053
CMBS	—	10,067	380	10,447
Total fixed maturity securities AFS	21,061	287,948	18,811	327,820
Equity securities	794	118	430	1,342
Unit-linked and FVO Securities (1)	10,598	1,879	625	13,102
Short-term investments (2)	2,042	1,108	32	3,182
Residential mortgage loans — FVO	—	—	188	188
Other investments	74	160	455	689
Derivative assets: (3)				
Interest rate	2	6,616	89	6,707
Foreign currency exchange rate	7	2,336	35	2,378
Credit	—	244	32	276
Equity market	6	686	31	723
Total derivative assets	15	9,882	187	10,084
Embedded derivatives within asset host contracts (4)	—	—	60	60
Separate account assets (5)	86,790	100,668	987	188,445
Total assets (6)	$ 121,374	$ 401,763	$ 21,775	$ 544,912
Liabilities				
Derivative liabilities: (3)				
Interest rate	$ 3	$ 220	$ 195	$ 418
Foreign currency exchange rate	—	2,324	118	2,442
Credit	—	102	1	103
Equity market	8	747	19	774
Total derivative liabilities	11	3,393	333	3,737
Embedded derivatives within liability host contracts (4)	—	—	802	802
Separate account liabilities (5)	1	14	7	22
Total liabilities	$ 12	$ 3,407	$ 1,142	$ 4,561

(1) Unit-linked and FVO Securities were primarily comprised of Unit-linked investments at both June 30, 2020 and December 31, 2019.

(2) Short-term investments as presented in the tables above differ from the amounts presented on the interim condensed consolidated balance sheets because certain short-term investments are not measured at estimated fair value on a recurring basis.

8. Fair Value (continued)

(3) Derivative assets are presented within other invested assets on the interim condensed consolidated balance sheets and derivative liabilities are presented within other liabilities on the interim condensed consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation on the interim condensed consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables.

(4) Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables and other invested assets on the interim condensed consolidated balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances and other liabilities on the interim condensed consolidated balance sheets.

(5) 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. Separate account liabilities presented in the tables above represent derivative liabilities.

(6) Total assets included in the fair value hierarchy exclude other limited partnership interests that are measured at estimated fair value using the net asset value ("NAV") per share (or its equivalent) practical expedient. At June 30, 2020 and December 31, 2019, the estimated fair value of such investments was $75 million and $95 million, respectively.

The following describes the valuation methodologies used to measure assets and liabilities at fair value.

Investments

Securities, Short-term Investments and Other Investments

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 other investments is determined on a basis consistent with the methodologies described herein for securities.

The valuation approaches and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy are presented below. The primary valuation approaches are the market approach, which considers recent prices from market transactions involving identical or similar assets or liabilities, and the income approach, which converts expected future amounts (e.g. cash flows) to a single current, discounted amount. 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.

8. Fair Value (continued)

<table>
<tr><th>Instrument</th><th>Level 2
Observable Inputs</th><th>Level 3
Unobservable Inputs</th></tr>
<tr><td colspan="3">Fixed maturity securities AFS</td></tr>
<tr><td colspan="3">U.S. corporate and Foreign corporate securities</td></tr>
<tr><td></td><td>Valuation Approaches: 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 ratings
• trades of identical or comparable securities; duration
• privately-placed securities are valued using the additional key inputs:
  • market yield curve; call provisions
  • observable prices and spreads for similar public or private securities that incorporate the credit quality and industry sector of the issuer
  • delta spread adjustments to reflect specific credit-related issues</td><td>Valuation Approaches: 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</td></tr>
<tr><td colspan="3">Foreign government securities, U.S. government and agency securities and Municipals</td></tr>
<tr><td></td><td>Valuation Approaches: 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</td><td>Valuation Approaches: 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</td></tr>
<tr><td colspan="3">Structured Products</td></tr>
<tr><td></td><td>Valuation Approaches: 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; geographic region
• weighted average coupon and weighted average maturity
• average delinquency rates; debt-service coverage ratios
• credit ratings
• issuance-specific information, including, but not limited to:
  • collateral type; structure of the security; vintage of the loans
  • payment terms of the underlying assets
  • payment priority within the tranche; deal performance</td><td>Valuation Approaches: 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
• credit ratings</td></tr>
</table>

8. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Equity securities		
	Valuation Approaches: Principally the market approach. Key Input: • quoted prices in markets that are not considered active	Valuation Approaches: 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
Unit-linked and FVO Securities, Short-term investments and Other investments		
	• Unit-linked and FVO 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. • Short-term investments and other investments are of a similar nature and class to the fixed maturity securities AFS and equity securities described above; accordingly, the valuation approaches and observable inputs used in their valuation are also similar to those described above.	• Unit-linked and FVO Securities, short-term investments and other investments are of a similar nature and class to the fixed maturity securities AFS and equity securities described above; accordingly, the valuation approaches and unobservable inputs used in their valuation are also similar to those described above.
Residential mortgage loans — FVO		
	• N/A	Valuation Approaches: Principally the market approach. Valuation Techniques and Key Inputs: These investments are based primarily on matrix pricing or other similar techniques that utilize inputs from mortgage servicers that are unobservable or cannot be derived principally from, or corroborated by, observable market data.
Separate account assets and Separate account liabilities (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	Valued giving consideration to the underlying holdings of the partnerships and adjusting, if appropriate. Key Inputs: • liquidity; bid/ask spreads; performance record of the fund manager • other relevant variables that may impact the exit value of the particular partnership interest

(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 and Other Investments" and "— Derivatives — Freestanding Derivatives."

8. Fair Value (continued)

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 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

Level 2 Valuation Approaches and Key Inputs:

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 Valuation Approaches and Key Inputs:

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.

8. Fair Value (continued)

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

(1) Option-based only.

(2) Extrapolation beyond the observable limits of the curve(s).

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees, annuity contracts, and investment risk within funds withheld related to certain reinsurance agreements. 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 on the consolidated balance sheets.

The Company calculates the fair value of these embedded derivatives, which is 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, projecting 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 as compared to MetLife, Inc.

8. Fair Value (continued)

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 described in "— Investments — Securities, Short-term Investments and Other Investments." 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 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 Approaches 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 curves, 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 curves 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.

Table of Contents

8. Fair Value (continued)

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 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.

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:

			June 30, 2020		December 31, 2019		
	Valuation Techniques	Significant Unobservable Inputs	Range	Weighted Average (1)	Range	Weighted Average (1)	Impact of Increase in Input on Estimated Fair Value (2)
Fixed maturity securities AFS (3)							
U.S. corporate and foreign corporate	• Matrix pricing	• Offered quotes (4)	— - 187	112	5 - 145	110	Increase
	• Market pricing	• Quoted prices (4)	20 - 112	96	25 - 131	100	Increase
	• Consensus pricing	• Offered quotes (4)	50 - 111	100	81 - 109	102	Increase
RMBS	• Market pricing	• Quoted prices (4)	— - 132	95	— - 119	95	Increase (5)
ABS	• Market pricing	• Quoted prices (4)	3 - 111	96	3 - 119	98	Increase (5)
	• Consensus pricing	• Offered quotes (4)	— - —	—	99 - 104	100	Increase (5)
Derivatives							
Interest rate	• Present value techniques	• Swap yield (6)	66 - 158	123	190 - 251		Increase (7)
		• Repurchase rates (8)	(8) - 10	(2)	(6) - 6		Decrease (7)
Foreign currency exchange rate	• Present value techniques	• Swap yield (6)	(165) - 237	(108)	(125) - 328		Increase (7)
Credit	• Present value techniques	• Credit spreads (9)	97 - 100	98	96 - 100		Decrease (7)
	• Consensus pricing	• Offered quotes (10)					
Equity market	• Present value techniques or option pricing models	• Volatility (11)	23% - 35%	31%	14% - 23%		Increase (7)
		• Correlation (12)	10% - 30%	11%	10% - 30%		
Embedded derivatives							
Direct, assumed and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates:					
		Ages 0 - 40	0% - 0.18%	0.06%	0% - 0.18%		Decrease (13)
		Ages 41 - 60	0.03% - 0.80%	0.30%	0.03% - 0.80%		Decrease (13)
		Ages 61 - 115	0.13% - 100%	1.90%	0.13% - 100%		Decrease (13)
		• Lapse rates:					
		Durations 1 - 10	0.25% - 100%	7.90%	0.25% - 100%		Decrease (14)
		Durations 11 - 20	0.50% - 100%	6.40%	0.50% - 100%		Decrease (14)
		Durations 21 - 116	0.50% - 100%	6.40%	0.50% - 100%		Decrease (14)
		• Utilization rates	0% - 22%	0.90%	0% - 22%		Increase (15)
		• Withdrawal rates	0% - 20%	4.23%	0% - 20%		(16)
		• Long-term equity volatilities	8.48% - 30%	18.30%	6.01% - 30%		Increase (17)
		• Nonperformance risk spread	0.04% - 1.38%	0.49%	0.03% - 1.30%		Decrease (18)

8. Fair Value (continued)

(1) The weighted average for fixed maturity securities AFS and derivatives is determined based on the estimated fair value of the securities. The weighted average for embedded derivatives is determined based on a combination of account values and experience data.

(2) The impact of a decrease in input would have resulted in the opposite impact on estimated fair value. For embedded derivatives, changes to direct and assumed guaranteed minimum benefits are based on liability positions; changes to ceded guaranteed minimum benefits are based on asset positions.

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

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

(5) Changes in the assumptions used for the probability of default would have been 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.

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

(7) Changes in estimated fair value are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.

(8) Ranges represent different repurchase rates utilized as components within the valuation methodology and are presented in basis points.

(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 June 30, 2020 and December 31, 2019, 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) 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.

(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 contractholders 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.

8. Fair Value (continued)

(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.

Generally, all other classes of assets and liabilities classified within Level 3 that are not included in the preceding table use the same valuation techniques and significant unobservable inputs as previously described for Level 3. 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 following tables summarize the change of all assets (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Fixed Maturity Securities AFS					
	Corporate (6)	Foreign Government	Structured Products	Municipals	Equity Securities	Unit-linked and FVO Securities
	(In millions)					
Three Months Ended June 30, 2020						
Balance, beginning of period	$ 19,809	$ 104	$ 4,014	$ —	$ 372	$ 517
Total realized/unrealized gains (losses) included in net income (loss) (1), (2)	(21)	(1)	4	—	14	56
Total realized/unrealized gains (losses) included in AOCI	1,321	2	206	—	—	—
Purchases (3)	1,158	9	1,307	—	7	14
Sales (3)	(437)	(3)	(219)	—	(2)	(4)
Issuances (3)	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—
Transfers into Level 3 (4)	149	1	143	—	—	17
Transfers out of Level 3 (4)	(1,247)	(55)	(78)	—	(18)	(11)
Balance, end of period	$ 20,732	$ 57	$ 5,377	$ —	$ 373	$ 589
Three Months Ended June 30, 2019						
Balance, beginning of period	$ 10,962	$ 157	$ 4,069	$ —	$ 434	$ 457
Total realized/unrealized gains (losses) included in net income (loss) (1), (2)	—	—	12	—	(2)	10
Total realized/unrealized gains (losses) included in AOCI	226	(1)	41	—	—	—
Purchases (3)	705	2	401	7	41	38
Sales (3)	(264)	(5)	(205)	—	(16)	(5)
Issuances (3)	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—
Transfers into Level 3 (4)	104	12	6	—	—	1
Transfers out of Level 3 (4)	(126)	(22)	(169)	—	—	(7)
Balance, end of period	$ 11,607	$ 143	$ 4,155	$ 7	$ 457	$ 494
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2020 (5)	$ (13)	$ 1	$ 13	$ —	$ 12	$ 56
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2019 (5)	$ (3)	$ 1	$ 11	$ —	$ (3)	$ 10
Changes in unrealized gains (losses) included in AOCI for the instruments still held at June 30, 2020 (5)	$ 1,313	$ 2	$ 200	$ —	$ —	$ —

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Short-term Investments	Residential Mortgage Loans — FVO	Other Investments	Net Derivatives (7)	Net Embedded Derivatives (8)	Separate Accounts (9)
	(In millions)					
Three Months Ended June 30, 2020						
Balance, beginning of period	$ 368	$ 180	$ 475	$ 1,039	$ (2,232)	$ 1,046
Total realized/unrealized gains (losses) included in net income (loss) (1), (2)	—	1	(7)	38	371	9
Total realized/unrealized gains (losses) included in AOCI	2	—	—	(166)	(1)	—
Purchases (3)	1	—	23	—	—	83
Sales (3)	(17)	(2)	—	—	—	(93)
Issuances (3)	—	—	—	—	—	(2)
Settlements (3)	—	(4)	—	(113)	(63)	1
Transfers into Level 3 (4)	4	—	—	—	—	13
Transfers out of Level 3 (4)	(351)	—	—	—	—	(1)
Balance, end of period	$ 7	$ 175	$ 491	$ 798	$ (1,925)	$ 1,056
Three Months Ended June 30, 2019						
Balance, beginning of period	$ 138	$ 276	$ 168	$ (69)	$ (605)	$ 897
Total realized/unrealized gains (losses) included in net income (loss) (1), (2)	—	4	—	75	(146)	2
Total realized/unrealized gains (losses) included in AOCI	—	—	—	136	(15)	—
Purchases (3)	15	—	64	4	—	101
Sales (3)	(25)	(9)	—	—	—	(75)
Issuances (3)	—	—	—	(1)	—	3
Settlements (3)	—	(9)	—	(40)	(69)	(3)
Transfers into Level 3 (4)	2	—	—	—	—	—
Transfers out of Level 3 (4)	(7)	—	—	—	—	—
Balance, end of period	$ 123	$ 262	$ 232	$ 105	$ (835)	$ 925
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2020 (5)	$ —	$ —	$ (5)	$ 46	$ 366	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2019 (5)	$ —	$ 1	$ —	$ 69	$ (146)	$ —
Changes in unrealized gains (losses) included in AOCI for the instruments still held at June 30, 2020 (5)	$ 1	$ —	$ —	$ (154)	$ (2)	$ —

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Fixed Maturity Securities AFS					
	Corporate (6)	Foreign Government	Structured Products	Municipals	Equity Securities	Unit-linked and FVO Securities
	(In millions)					
Six Months Ended June 30, 2020						
Balance, beginning of period	$ 14,229	$ 117	$ 4,458	$ 7	$ 430	$ 625
Total realized/unrealized gains (losses) included in net income (loss) (1), (2)	(68)	(6)	14	—	(13)	(24)
Total realized/unrealized gains (losses) included in AOCI	(266)	—	(109)	—	—	—
Purchases (3)	2,809	10	1,691	—	9	25
Sales (3)	(562)	(4)	(433)	—	(34)	(101)
Issuances (3)	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—
Transfers into Level 3 (4)	5,101	1	156	—	—	155
Transfers out of Level 3 (4)	(511)	(61)	(400)	(7)	(19)	(91)
Balance, end of period	$ 20,732	$ 57	$ 5,377	$ —	$ 373	$ 589
Six Months Ended June 30, 2019						
Balance, beginning of period	$ 10,467	$ 138	$ 4,266	$ —	$ 419	$ 405
Total realized/unrealized gains (losses) included in net income (loss) (1), (2)	6	1	25	—	28	29
Total realized/unrealized gains (losses) included in AOCI	595	(2)	62	—	—	—
Purchases (3)	1,030	3	592	7	48	70
Sales (3)	(351)	(6)	(335)	—	(38)	(7)
Issuances (3)	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—
Transfers into Level 3 (4)	245	13	7	—	—	2
Transfers out of Level 3 (4)	(385)	(4)	(462)	—	—	(5)
Balance, end of period	$ 11,607	$ 143	$ 4,155	$ 7	$ 457	$ 494
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2020 (5)	$ (36)	$ (1)	$ 23	$ —	$ (12)	$ (25)
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2019 (5)	$ (4)	$ 1	$ 25	$ —	$ 15	$ 29
Changes in unrealized gains (losses) included in AOCI for the instruments still held at June 30, 2020 (5)	$ (290)	$ —	(106)	$ —	$ —	$ —

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Short-term Investments	Residential Mortgage Loans — FVO	Other Investments	Net Derivatives (7)	Net Embedded Derivatives (8)	Separate Accounts (9)
	(In millions)					
Six Months Ended June 30, 2020						
Balance, beginning of period	$ 32	$ 188	$ 455	$ (146)	$ (742)	$ 980
Total realized/unrealized gains (losses) included in net income (loss) (1), (2)	—	3	(3)	112	(1,051)	2
Total realized/unrealized gains (losses) included in AOCI	(3)	—	—	991	(6)	—
Purchases (3)	2	—	39	—	—	178
Sales (3)	(16)	(7)	—	—	—	(107)
Issuances (3)	—	—	—	—	—	(3)
Settlements (3)	—	(9)	—	(159)	(126)	1
Transfers into Level 3 (4)	9	—	—	—	—	10
Transfers out of Level 3 (4)	(17)	—	—	—	—	(5)
Balance, end of period	$ 7	$ 175	$ 491	$ 798	$ (1,925)	$ 1,056
Six Months Ended June 30, 2019						
Balance, beginning of period	$ 33	$ 299	$ 39	$ (225)	$ (739)	$ 937
Total realized/unrealized gains (losses) included in net income (loss) (1), (2)	1	6	—	125	47	6
Total realized/unrealized gains (losses) included in AOCI	(1)	—	—	223	(8)	—
Purchases (3)	119	—	193	4	—	124
Sales (3)	(31)	(25)	—	—	—	(140)
Issuances (3)	—	—	—	(1)	—	2
Settlements (3)	—	(18)	—	(21)	(135)	(2)
Transfers into Level 3 (4)	2	—	—	—	—	—
Transfers out of Level 3 (4)	—	—	—	—	—	(2)
Balance, end of period	$ 123	$ 262	$ 232	$ 105	$ (835)	$ 925
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2020 (5)	$ —	$ —	$ —	$ (12)	$ (1,056)	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2019 (5)	$ 1	$ 1	$ —	$ 104	$ 46	$ —
Changes in unrealized gains (losses) included in AOCI for the instruments still held at June 30, 2020 (5)	$ (3)	$ —	$ —	$ 899	$ (6)	$ —

(1) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities are included in net investment gains (losses), while changes in estimated fair value of residential mortgage loans — FVO are included in net investment income. Lapses associated with net embedded derivatives are included in net derivative gains (losses). Substantially all realized/unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).

(2) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.

(3) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. Fees attributed to embedded derivatives are included in settlements.

(4) Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.

8. Fair Value (continued)

(5) Changes in unrealized gains (losses) included in net income (loss) and included in AOCI relate to assets and liabilities still held at the end of the respective periods. Substantially all changes in unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).

(6) Comprised of U.S. and foreign corporate securities.

(7) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.

(8) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.

(9) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income (loss). For the purpose of this disclosure, these changes are presented within net investment gains (losses). Separate account assets and liabilities are presented net for the purposes of the rollforward.

Fair Value Option

The Company elects the FVO for certain residential mortgage loans that are managed on a total return basis. The following table presents information for residential mortgage loans, which are accounted for under the FVO and were initially measured at fair value.

	June 30, 2020		December 31, 2019	
	(In millions)			
Unpaid principal balance	$	190	$	209
Difference between estimated fair value and unpaid principal balance		(15)		(21)
Carrying value at estimated fair value	$	175	$	188
Loans in nonaccrual status	$	47	$	47
Loans more than 90 days past due	$	18	$	18
Loans in nonaccrual status or more than 90 days past due, or both — difference between aggregate estimated fair value and unpaid principal balance	$	(16)	$	(19)

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income, payables for collateral under securities loaned and other transactions, short-term debt and those short-term investments that are not securities, such as time deposits, and therefore are not included in the three-level hierarchy table disclosed in the "— Recurring Fair Value Measurements" section. The Company believes that due to the short-term nature of these excluded assets, which are primarily classified in Level 2, the estimated fair value approximates carrying value. All remaining balance sheet amounts excluded from the tables below are not considered financial instruments subject to this disclosure.

8. Fair Value (continued)

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows at:

	June 30, 2020				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 82,715	$ —	$ —	$ 85,204	$ 85,204
Policy loans	$ 9,639	$ —	$ 324	$ 11,908	$ 12,232
Other invested assets	$ 1,199	$ —	$ 848	$ 352	$ 1,200
Premiums, reinsurance and other receivables	$ 3,363	$ —	$ 743	$ 2,890	$ 3,633
Other assets	$ 1,036	$ —	$ 871	$ 161	$ 1,032
Liabilities					
Policyholder account balances	$ 122,150	$ —	$ —	$ 131,146	$ 131,146
Long-term debt	$ 14,393	$ —	$ 17,623	$ —	$ 17,623
Collateral financing arrangement	$ 968	$ —	$ —	$ 784	$ 784
Junior subordinated debt securities	$ 3,151	$ —	$ 4,182	$ —	$ 4,182
Other liabilities	$ 3,130	$ —	$ 1,612	$ 2,719	$ 4,331
Separate account liabilities	$ 111,977	$ —	$ 111,977	$ —	$ 111,977

	December 31, 2019				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 80,341	$ —	$ —	$ 83,079	$ 83,079
Policy loans	$ 9,680	$ —	$ 326	$ 11,329	$ 11,655
Other invested assets	$ 1,183	$ —	$ 809	$ 374	$ 1,183
Premiums, reinsurance and other receivables	$ 3,678	$ —	$ 1,178	$ 2,706	$ 3,884
Other assets	$ 318	$ —	$ 131	$ 188	$ 319
Liabilities					
Policyholder account balances	$ 119,262	$ —	$ —	$ 122,998	$ 122,998
Long-term debt	$ 13,336	$ —	$ 15,830	$ —	$ 15,830
Collateral financing arrangement	$ 993	$ —	$ —	$ 810	$ 810
Junior subordinated debt securities	$ 3,150	$ —	$ 4,405	$ —	$ 4,405
Other liabilities	$ 2,045	$ —	$ 540	$ 2,279	$ 2,819
Separate account liabilities	$ 110,837	$ —	$ 110,837	$ —	$ 110,837

9. Long Term Debt

Senior Notes

In March 2020, MetLife, Inc. issued $1.0 billion of senior notes due March 2030 which bear interest at a fixed rate of 4.550%, the interest on which is payable semi-annually. In connection with the issuance, MetLife, Inc. incurred $6 million of related costs which will be amortized over the term of the senior notes.

10. Equity

Preferred Stock

Preferred stock authorized, issued and outstanding was as follows:

	June 30, 2020			December 31, 2019		
Series	Shares Authorized	Shares Issued	Shares Outstanding	Shares Authorized	Shares Issued	Shares Outstanding
Floating Rate Non-Cumulative Preferred Stock, Series A	27,600,000	24,000,000	24,000,000	27,600,000	24,000,000	24,000,000
5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D	500,000	500,000	500,000	500,000	500,000	500,000
5.625% Non-Cumulative Preferred Stock, Series E	32,200	32,200	32,200	32,200	32,200	32,200
4.75% Non-Cumulative Preferred Stock, Series F	40,000	40,000	40,000	—	—	—
Series A Junior Participating Preferred Stock	10,000,000	—	—	10,000,000	—	—
Not designated	160,327,800	—	—	160,367,800	—	—
Total	200,000,000	26,072,200	26,072,200	200,000,000	26,032,200	26,032,200

On January 15, 2020, MetLife, Inc. issued 40,000 shares of 4.75% Non-Cumulative Preferred Stock, Series F (the “Series F preferred stock”) with a $0.01 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $972 million. MetLife, Inc. deposited the Series F preferred stock under a deposit agreement with a depositary, which issued interests in fractional shares of the Series F preferred stock in the form of depositary shares (“Series F Depositary Shares”) evidenced by depositary receipts; each Series F Depositary Share representing 1/1,000th interest in a share of the Series F preferred stock. In connection with the offering of the Series F Depositary Shares, MetLife, Inc. incurred approximately $28 million of issuance costs which have been recorded as a reduction of additional paid-in capital.

MetLife, Inc. will pay dividends on the Series F preferred stock only when, as and if declared by MetLife, Inc.’s Board of Directors (or a duly authorized committee thereof), out of funds legally available for the payment of dividends. Any such dividends are payable on a non-cumulative basis from the date of original issue, quarterly in arrears on the 15th day of March, June, September and December of each year, commencing on June 15, 2020.

10. Equity (continued)

MetLife, Inc. may, at its option, redeem the Series F preferred stock, (i) in whole but not in part at any time prior to March 15, 2025, within 90 days after the occurrence of a "rating agency event," at a redemption price equal to $25,500 per share of Series F preferred stock (equivalent to $25.50 per Series F Depositary Share), plus an amount equal to any accrued and unpaid dividends per share that have accrued but have not been declared and paid for the then-current dividend period to, but excluding, the redemption date, (ii) in whole but not in part, at any time prior to March 15, 2025, within 90 days after the occurrence of a "regulatory capital event," and (iii) in whole or in part, at any time or from time to time, on or after March 15, 2025, in the case of (ii) or (iii), at a redemption price equal to $25,000 per share of Series F preferred stock (equivalent to $25 per Series F Depositary Share), plus an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date. A "rating agency event" means that any nationally recognized statistical rating organization that then publishes a rating for MetLife, Inc. amends, clarifies or changes the criteria used to assign equity credit to securities like the Series F preferred stock, which results in the lowering of the equity credit assigned to the Series F preferred stock or shortens the length of time that the Series F preferred stock is assigned a particular level of equity credit. A "regulatory capital event" could occur as a result of a change or proposed change in capital adequacy rules (or the interpretation or application thereof) of any capital regulator, including but not limited to the Board of Governors of the Federal Reserve System ("Federal Reserve Board"), the Federal Insurance Office, the National Association of Insurance Commissioners or any state insurance regulator as may then have group-wide oversight of MetLife, Inc.'s regulatory capital, from rules (or the interpretation or application thereof) in effect as of January 15, 2020, that would create a more than insubstantial risk, as determined by MetLife, Inc., that the Series F preferred stock would not be treated as "Tier 1 capital" or as capital with attributes similar to those of Tier 1 capital, except that a "regulatory capital event" will not include a change or proposed change (or the interpretation or application thereof) that would result in the adoption of any criteria substantially the same as the criteria in the capital adequacy rules of the Federal Reserve Board applicable to bank holding companies as of January 15, 2020.

The declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, Inc.'s preferred stock were as follows for the six months ended June 30, 2020 and 2019:

			Preferred Stock Dividend									
			Series A		Series C		Series D		Series E		Series F	
Declaration Date	Record Date	Payment Date	Per Share	Aggregate	Per Share	Aggregate	Per Share	Aggregate	Per Share	Aggregate	Per Share	Aggregate
			(In millions, except per share data)									
May 15, 2020	May 29, 2020	June 15, 2020	$ 0.253	$ 6	$ 26.250	$ 39	$ —	$ —	$ 351.563	$ 12	$ 494.792	$ 20
March 5, 2020	March 1, 2020	March 16, 2020	0.253	6	—	—	—	—	—	—	—	—
February 18, 2020	February 29, 2020	March 16, 2020	—	—	—	—	29.375	15	351.563	11	—	—
Total			$ 0.506	$ 12	$ 26.250	$ 39	$ 29.375	$ 15	$ 703.126	$ 23	$ 494.792	$ 20
May 15, 2019	May 31, 2019	June 17, 2019	$ 0.261	$ 6	$ 26.250	$ 39	$ —	$ —	$ 351.563	$ 12	$ —	$ —
March 5, 2019	February 28, 2019	March 15, 2019	0.250	6	—	—	—	—	—	—	—	—
February 15, 2019	February 28, 2019	March 15, 2019	—	—	—	—	29.375	15	351.563	11	—	—
Total			$ 0.511	$ 12	$ 26.250	$ 39	$ 29.375	$ 15	$ 703.126	$ 23	$ —	$ —

Common Stock

For the six months ended June 30, 2020 and 2019, MetLife, Inc. repurchased 10,664,608 shares and 26,954,935 shares of its common stock, respectively, through open market purchases for $500 million and $1.3 billion, respectively.

MetLife, Inc. announced that its Board of Directors authorized common stock repurchases as follows:

Announcement Date	Authorization Amount	Authorization Remaining at June 30, 2020
	(In millions)	
July 31, 2019	$ 2,000	$ 485
November 1, 2018	$ 2,000	$ —

10. Equity (continued)

Under these authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 (“Exchange Act”)), and in privately negotiated transactions. Common stock repurchases are subject to the discretion of MetLife, Inc.’s Board of Directors and will depend upon the Company’s capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.’s common stock compared to management’s assessment of the stock’s underlying value, applicable regulatory approvals, and other legal and accounting factors.

The declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, Inc.’s common stock were as follows for the six months ended June 30, 2020 and 2019:

			Common Stock Dividend	
Declaration Date	Record Date	Payment Date	Per Share	Aggregate
			(In millions, except per share data)	
April 28, 2020	May 8, 2020	June 12, 2020	$ 0.460	$ 419
January 7, 2020	February 4, 2020	March 13, 2020	0.440	404
			$ 0.900	$ 823
April 23, 2019	May 7, 2019	June 13, 2019	$ 0.440	$ 419
January 7, 2019	February 5, 2019	March 13, 2019	0.420	405
			$ 0.860	$ 824

See Note 16 for information on a common stock dividend declared subsequent to June 30, 2020.

Stock-Based Compensation Plans

Performance Shares and Performance Units

Final Performance Shares are paid in shares of MetLife, Inc. common stock. Final Performance Units are payable in cash equal to the closing price of MetLife, Inc. common stock on a date following the last day of the three-year performance period. The performance factor for the January 1, 2017 – December 31, 2019 performance period was 91.4%, which was determined within a possible range from 0% to 175%. This factor has been applied to the 1,068,099 Performance Shares and 166,191 Performance Units associated with that performance period that vested on December 31, 2019. As a result, in the first quarter of 2020, MetLife, Inc. issued 976,242 shares of its common stock (less withholding for taxes and other items, as applicable), excluding shares that payees choose to defer, and MetLife, Inc. or its affiliates paid the cash value of 151,899 Performance Units (less withholding for taxes and other items, as applicable).

10. Equity (continued)

Dividend Restrictions

Insurance Operations

For the six months ended June 30, 2020, Metropolitan Property and Casualty Insurance Company paid a dividend of $250 million to MetLife, Inc., for which regulatory approval was obtained as required.

See Note 16 of the Notes to Consolidated Financial Statements included in the 2019 Annual Report for additional information on dividend restrictions.

10. Equity (continued)

Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI attributable to MetLife, Inc. was as follows:

	Three Months Ended June 30, 2020				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$ 15,452	$ 4,917	$ (5,627)	$ (1,985)	$ 12,757
OCI before reclassifications	8,505	(639)	243	—	8,109
Deferred income tax benefit (expense)	(1,902)	142	2	—	(1,758)
AOCI before reclassifications, net of income tax	22,055	4,420	(5,382)	(1,985)	19,108
Amounts reclassified from AOCI	(46)	(340)	—	22	(364)
Deferred income tax benefit (expense)	(2)	74	—	(5)	67
Amounts reclassified from AOCI, net of income tax	(48)	(266)	—	17	(297)
Sale of subsidiary, net of income tax (2)	(248)	—	—	—	(248)
Balance, end of period	$ 21,759	$ 4,154	$ (5,382)	$ (1,968)	$ 18,563

	Three Months Ended June 30, 2019				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$ 12,248	$ 1,614	$ (4,947)	$ (2,004)	$ 6,911
OCI before reclassifications	5,478	658	174	(3)	6,307
Deferred income tax benefit (expense)	(1,289)	(153)	7	—	(1,435)
AOCI before reclassifications, net of income tax	16,437	2,119	(4,766)	(2,007)	11,783
Amounts reclassified from AOCI	(127)	(92)	—	30	(189)
Deferred income tax benefit (expense)	30	14	—	(7)	37
Amounts reclassified from AOCI, net of income tax	(97)	(78)	—	23	(152)
Balance, end of period	$ 16,340	$ 2,041	$ (4,766)	$ (1,984)	$ 11,631

10. Equity (continued)

	Six Months Ended June 30, 2020				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$ 18,283	$ 1,698	$ (4,927)	$ (2,002)	$ 13,052
OCI before reclassifications	4,886	3,048	(431)	—	7,503
Deferred income tax benefit (expense)	(975)	(668)	(24)	—	(1,667)
AOCI before reclassifications, net of income tax	22,194	4,078	(5,382)	(2,002)	18,888
Amounts reclassified from AOCI	(233)	98	—	43	(92)
Deferred income tax benefit (expense)	46	(22)	—	(9)	15
Amounts reclassified from AOCI, net of income tax	(187)	76	—	34	(77)
Sale of subsidiary, net of income tax (2)	(248)	—	—	—	(248)
Balance, end of period	$ 21,759	$ 4,154	$ (5,382)	$ (1,968)	$ 18,563

	Six Months Ended June 30, 2019				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$ 7,042	$ 1,613	$ (4,905)	$ (2,028)	$ 1,722
OCI before reclassifications	12,199	647	138	(2)	12,982
Deferred income tax benefit (expense)	(2,805)	(147)	1	—	(2,951)
AOCI before reclassifications, net of income tax	16,436	2,113	(4,766)	(2,030)	11,753
Amounts reclassified from AOCI	(129)	(116)	—	59	(186)
Deferred income tax benefit (expense)	30	26	—	(13)	43
Amounts reclassified from AOCI, net of income tax	(99)	(90)	—	46	(143)
Cumulative effects of changes in accounting principles	4	22	—	—	26
Deferred income tax benefit (expense), cumulative effects of changes in accounting principles	(1)	(4)	—	—	(5)
Cumulative effects of changes in accounting principles, net of income tax (3)	3	18	—	—	21
Balance, end of period	$ 16,340	$ 2,041	$ (4,766)	$ (1,984)	$ 11,631

(1) See Note 6 for information on offsets to investments related to future policy benefits, DAC, VOBA and DSI, and the policyholder dividend obligation.

(2) See Note 3.

(3) See Note 1 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report for further information on adoption of new accounting pronouncements.

MetLife, Inc.

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

10. Equity (continued)

Information regarding amounts reclassified out of each component of AOCI was as follows:

AOCI Components	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Consolidated Statements of Operations and Comprehensive Income (Loss) Locations
	Amounts Reclassified from AOCI				
	(In millions)				
Net unrealized investment gains (losses):					
Net unrealized investment gains (losses)	$ 51	$ 140	$ 255	$ 116	Net investment gains (losses)
Net unrealized investment gains (losses)	1	(7)	(10)	(3)	Net investment income
Net unrealized investment gains (losses)	(6)	(6)	(12)	16	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	46	127	233	129	
Income tax (expense) benefit	2	(30)	(46)	(30)	
Net unrealized investment gains (losses), net of income tax	48	97	187	99	
Unrealized gains (losses) on derivatives - cash flow hedges:					
Interest rate derivatives	9	6	15	11	Net investment income
Interest rate derivatives	42	4	48	(2)	Net investment gains (losses)
Interest rate derivatives	—	—	1	1	Other expenses
Foreign currency exchange rate derivatives	1	(1)	1	(3)	Net investment income
Foreign currency exchange rate derivatives	287	83	(164)	108	Net investment gains (losses)
Foreign currency exchange rate derivatives	1	1	1	1	Other expenses
Credit derivatives	—	(1)	—	—	Net investment gains (losses)
Gains (losses) on cash flow hedges, before income tax	340	92	(98)	116	
Income tax (expense) benefit	(74)	(14)	22	(26)	
Gains (losses) on cash flow hedges, net of income tax	266	78	(76)	90	
Defined benefit plans adjustment: (1)					
Amortization of net actuarial gains (losses)	(26)	(36)	(52)	(72)	
Amortization of prior service (costs) credit	4	6	9	13	
Amortization of defined benefit plan items, before income tax	(22)	(30)	(43)	(59)	
Income tax (expense) benefit	5	7	9	13	
Amortization of defined benefit plan items, net of income tax	(17)	(23)	(34)	(46)	
Total reclassifications, net of income tax	$ 297	$ 152	$ 77	$ 143	

(1) These AOCI components are included in the computation of net periodic benefit costs. See Note 12.

11. Other Revenues and Other Expenses

Other Revenues

Information on other revenues, which primarily includes fees related to service contracts from customers, was as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	(In millions)			
Prepaid legal plans	$ 99	$ 86	$ 200	$ 172
Fee-based investment management	71	69	150	146
Recordkeeping and administrative services (1)	46	52	95	102
Administrative services-only contracts	54	53	110	106
Other revenue from service contracts from customers	54	64	114	135
Total revenues from service contracts from customers	324	324	669	661
Other	132	154	226	311
Total other revenues	$ 456	$ 478	$ 895	$ 972

(1) Related to products and businesses no longer actively marketed by the Company.

Other Expenses

Information on other expenses was as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	(In millions)			
Employee-related costs (1)	$ 842	$ 916	$ 1,711	$ 1,838
Third party staffing costs	311	420	659	789
General and administrative expenses	191	237	381	460
Pension, postretirement and postemployment benefit costs	37	57	76	113
Premium taxes, other taxes, and licenses & fees	176	174	369	344
Commissions and other variable expenses	1,315	1,470	2,723	2,919
Capitalization of DAC	(671)	(837)	(1,445)	(1,649)
Amortization of DAC and VOBA	560	689	1,348	1,313
Amortization of negative VOBA	(10)	(10)	(20)	(20)
Interest expense on debt	232	274	454	508
Total other expenses	$ 2,983	$ 3,390	$ 6,256	$ 6,615

(1) Includes ($80) million and ($40) million for the three months and six months ended June 30, 2020, respectively, and ($41) million and ($117) million for the three months and six months ended June 30, 2019, respectively, for the net change in cash surrender value of investments in certain life insurance policies, net of premiums paid.

11. Other Revenues and Other Expenses (continued)

Restructuring Charges

In December 2019, the Company incurred the remaining restructuring charges related to its unit cost improvement program. During this program period, restructuring charges were included in other expenses and reported in Corporate & Other. Such restructuring charges were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	Severance			
	(In millions)			
Balance, beginning of period	$ 22	$ 17	$ 57	$ 23
Restructuring charges	—	14	—	21
Cash payments	(4)	(11)	(39)	(24)
Balance, end of period	$ 18	$ 20	$ 18	$ 20
Total severance charges incurred since inception of initiative	$ 244	$ 157	$ 244	$ 157

12. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Certain subsidiaries of MetLife, Inc. sponsor a U.S. qualified and various U.S. and non-U.S. nonqualified defined benefit pension plans covering employees who meet specified eligibility requirements. These subsidiaries also provide certain postemployment benefits and certain postretirement medical and life insurance benefits for U.S. and non-U.S. retired employees.

The components of net periodic benefit costs, reported in other expenses, were as follows:

	Three Months Ended June 30,			
	2020		2019	
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
	(In millions)			
Service costs	$ 61	$ 1	$ 57	$ 1
Interest costs	89	11	104	13
Expected return on plan assets	(132)	(16)	(123)	(18)
Amortization of net actuarial (gains) losses	44	(18)	48	(12)
Amortization of prior service costs (credit)	(4)	—	(4)	(2)
Net periodic benefit costs (credit)	$ 58	$ (22)	$ 82	$ (18)

	Six Months Ended June 30,			
	2020		2019	
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
	(In millions)			
Service costs	$ 123	$ 2	$ 115	$ 2
Interest costs	178	21	208	26
Expected return on plan assets	(264)	(31)	(245)	(34)
Amortization of net actuarial (gains) losses	89	(37)	96	(24)
Amortization of prior service costs (credit)	(8)	(1)	(8)	(5)
Net periodic benefit costs (credit)	$ 118	$ (46)	$ 166	$ (35)

13. Income Tax

For the three months and six months ended June 30, 2020, the effective tax rate on income (loss) before provision for income tax was 24% and 22%, respectively. The Company’s effective tax rate for the three months ended June 30, 2020 differed from the U.S. statutory rate primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate, partially offset by tax benefits related to non-taxable investment income and tax credits. The Company’s effective tax rate for the six months ended June 30, 2020 differed from the U.S. statutory rate primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate, partially offset by tax benefits related to non-taxable investment income, tax credits and the finalization of bankruptcy proceedings for a leveraged lease investment.

For the three months and six months ended June 30, 2019, the effective tax rate on income (loss) before provision for income tax was 24% and 23%, respectively. The Company’s effective tax rate for both periods differed from the U.S. statutory rate primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and the impact from the definitive agreement to sell MetLife Hong Kong, partially offset by tax benefits related to non-taxable investment income and tax credits.

14. Earnings Per Common Share

The following table presents the weighted average shares, basic earnings per common share and diluted earnings per common share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions, except per share data)			
Weighted Average Shares:				
Weighted average common stock outstanding - basic	908.8	946.2	911.5	951.3
Incremental common shares from assumed exercise or issuance of stock-based awards	4.3	6.7	5.0	6.8
Weighted average common stock outstanding - diluted	913.1	952.9	916.5	958.1
Net Income (Loss):				
Net income (loss)	$ 150	$ 1,746	$ 4,551	$ 3,131
Less: Net income (loss) attributable to noncontrolling interests	5	5	8	9
Less: Preferred stock dividends	77	57	109	89
Net income (loss) available to MetLife, Inc.'s common shareholders	$ 68	$ 1,684	$ 4,434	$ 3,033
Basic	$ 0.07	$ 1.78	$ 4.86	$ 3.19
Diluted	$ 0.07	$ 1.77	$ 4.84	$ 3.17

15. Contingencies, Commitments and Guarantees

Contingencies

Litigation

The Company is a defendant in a large number of litigation matters. Putative or certified class action litigation and other litigation and claims and assessments against the Company, in addition to those discussed below and those otherwise provided for in the Company's consolidated financial statements, have arisen in the course of the Company's business, including, but not limited to, in connection with its activities as an insurer, mortgage lending bank, employer, investor, investment advisor, broker-dealer, and taxpayer.

The Company also receives and responds to subpoenas or other inquiries seeking a broad range of information from state regulators, including state insurance commissioners; state attorneys general or other state governmental authorities; federal regulators, including the U.S. Securities and Exchange Commission; federal governmental authorities, including congressional committees; and the Financial Industry Regulatory Authority, as well as from local and national regulators and government authorities in jurisdictions outside the United States where the Company conducts business. The issues involved in information requests and regulatory matters vary widely, but can include inquiries or investigations concerning the Company's compliance with applicable insurance and other laws and regulations. The Company cooperates in these inquiries.

In some of the matters, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variability in pleadings, together with the actual experience of the Company in litigating or resolving through settlement numerous claims over an extended period of time, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value.

15. Contingencies, Commitments and Guarantees (continued)

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. The Company establishes liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities have been established for a number of the matters noted below. In certain circumstances where liabilities have been established there may be coverage under one or more corporate insurance policies, pursuant to which there may be an insurance recovery. Insurance recoveries are recognized as gains when any contingencies relating to the insurance claim have been resolved, which is the earlier of when the gains are realized or realizable. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be reasonably estimated at June 30, 2020. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known to management, management does not believe any such charges are likely to have a material effect on the Company’s financial position. Given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on the Company’s consolidated net income or cash flows in particular quarterly or annual periods.

Matters as to Which an Estimate Can Be Made

For some of the matters disclosed below, the Company is able to estimate a reasonably possible range of loss. For matters where a loss is believed to be reasonably possible, but not probable, the Company has not made an accrual. As of June 30, 2020, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be $0 to $200 million.

Matters as to Which an Estimate Cannot Be Made

For other matters disclosed below, the Company is not currently able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by the court on motions or appeals, analysis by experts, and the progress of settlement negotiations. On a quarterly and annual basis, the Company reviews relevant information with respect to litigation contingencies and updates its accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

Asbestos-Related Claims

MLIC is and has been a defendant in a large number of asbestos-related suits filed primarily in state courts. These suits principally allege that the plaintiff or plaintiffs suffered personal injury resulting from exposure to asbestos and seek both actual and punitive damages. MLIC has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products nor has MLIC issued liability or workers’ compensation insurance to companies in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. The lawsuits principally have focused on allegations with respect to certain research, publication and other activities of one or more of MLIC’s employees during the period from the 1920’s through approximately the 1950’s and allege that MLIC learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. MLIC believes that it should not have legal liability in these cases. The outcome of most asbestos litigation matters, however, is uncertain and can be impacted by numerous variables, including differences in legal rulings in various jurisdictions, the nature of the alleged injury and factors unrelated to the ultimate legal merit of the claims asserted against MLIC. MLIC employs a number of resolution strategies to manage its asbestos loss exposure, including seeking resolution of pending litigation by judicial rulings and settling individual or groups of claims or lawsuits under appropriate circumstances.

15. Contingencies, Commitments and Guarantees (continued)

Claims asserted against MLIC have included negligence, intentional tort and conspiracy concerning the health risks associated with asbestos. MLIC's defenses (beyond denial of certain factual allegations) include that: (i) MLIC owed no duty to the plaintiffs— it had no special relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured plaintiffs, (ii) plaintiffs did not rely on any actions of MLIC, (iii) MLIC's conduct was not the cause of the plaintiffs' injuries, (iv) plaintiffs' exposure occurred after the dangers of asbestos were known, and (v) the applicable time with respect to filing suit has expired. During the course of the litigation, certain trial courts have granted motions dismissing claims against MLIC, while other trial courts have denied MLIC's motions. There can be no assurance that MLIC will receive favorable decisions on motions in the future. While most cases brought to date have settled, MLIC intends to continue to defend aggressively against claims based on asbestos exposure, including defending claims at trials.

As reported in the 2019 Annual Report, MLIC received approximately 3,187 asbestos-related claims in 2019. For the six months ended June 30, 2020 and 2019, MLIC received approximately 1,121 and 1,705 new asbestos-related claims, respectively. See Note 21 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report for historical information concerning asbestos claims and MLIC's update in its recorded liability at December 31, 2019. The number of asbestos cases that may be brought, the aggregate amount of any liability that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from year to year.

The ability of MLIC to estimate its ultimate asbestos exposure is subject to considerable uncertainty, and the conditions impacting its liability can be dynamic and subject to change. The availability of reliable data is limited and it is difficult to predict the numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease in pending and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the jurisdictions in which claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against MLIC when exposure to asbestos took place after the dangers of asbestos exposure were well known, and the impact of any possible future adverse verdicts and their amounts.

The ability to make estimates regarding ultimate asbestos exposure declines significantly as the estimates relate to years further in the future. In the Company's judgment, there is a future point after which losses cease to be probable and reasonably estimable. It is reasonably possible that the Company's total exposure to asbestos claims may be materially greater than the asbestos liability currently accrued and that future charges to income may be necessary. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known by management, management does not believe any such charges are likely to have a material effect on the Company's financial position.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. MLIC's recorded asbestos liability is based on its estimation of the following elements, as informed by the facts presently known to it, its understanding of current law and its past experiences: (i) the probable and reasonably estimable liability for asbestos claims already asserted against MLIC, including claims settled but not yet paid, (ii) the probable and reasonably estimable liability for asbestos claims not yet asserted against MLIC, but which MLIC believes are reasonably probable of assertion, and (iii) the legal defense costs associated with the foregoing claims. Significant assumptions underlying MLIC's analysis of the adequacy of its recorded liability with respect to asbestos litigation include: (i) the number of future claims, (ii) the cost to resolve claims, and (iii) the cost to defend claims.

MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experience, reviewing external literature regarding asbestos claims experience in the United States, assessing relevant trends impacting asbestos liability and considering numerous variables that can affect its asbestos liability exposure on an overall or per claim basis. These variables include bankruptcies of other companies involved in asbestos litigation, legislative and judicial developments, the number of pending claims involving serious disease, the number of new claims filed against it and other defendants and the jurisdictions in which claims are pending. Based upon its regular reevaluation of its exposure from asbestos litigation, MLIC has updated its liability analysis for asbestos-related claims through June 30, 2020.

15. Contingencies, Commitments and Guarantees (continued)

City of Westland Police and Fire Retirement System v. MetLife, Inc., et. al. (S.D.N.Y., filed January 12, 2012)

Plaintiff filed this class action on behalf of a class of persons who either purchased MetLife, Inc. common shares between February 9, 2011 and October 6, 2011, or purchased or acquired MetLife, Inc. common stock in the Company's August 3, 2010 offering or the Company's March 4, 2011 offering. Plaintiff alleges that MetLife, Inc. and several current and former directors and executive officers of MetLife, Inc. violated the Securities Act of 1933, as well as the Exchange Act and Rule 10b-5 promulgated thereunder by issuing, or causing MetLife, Inc. to issue, materially false and misleading statements concerning MetLife, Inc.'s potential liability for millions of dollars in insurance benefits that should have purportedly been paid to beneficiaries or escheated to the states. The parties reached an agreement on a class settlement of the case, and on June 17, 2020, plaintiff filed with the district court a motion to approve notice of the proposed settlement to the classes. The Company has accrued the full amount of the settlement payment.

Julian & McKinney v. Metropolitan Life Insurance Company (S.D.N.Y., filed February 9, 2017)

Plaintiffs filed this putative class and collective action on behalf of themselves and all current and former long-term disability ("LTD") claims specialists between February 2011 and the present for alleged wage and hour violations under the Fair Labor Standards Act, the New York Labor Law, and the Connecticut Minimum Wage Act. The suit alleges that MLIC improperly reclassified the plaintiffs and similarly situated LTD claims specialists from non-exempt to exempt from overtime pay in November 2013. As a result, they and members of the putative class were no longer eligible for overtime pay even though they allege they continued to work more than 40 hours per week. Plaintiffs seek unspecified compensatory and punitive damages, as well as other relief. On March 22, 2018, the court conditionally certified the case as a collective action, requiring that notice be mailed to LTD claims specialists who worked for MLIC from February 8, 2014 to the present. MLIC intends to defend this action vigorously.

Total Asset Recovery Services, LLC. v. MetLife, Inc., et al. (Supreme Court of the State of New York, County of New York, filed December 27, 2017)

Total Asset Recovery Services ("The Relator") brought an action under the qui tam provision of the New York False Claims Act (the "Act") on behalf of itself and the State of New York. The Relator originally filed this action under seal in 2010, and the complaint was unsealed on December 19, 2017. The Relator alleges that MetLife, Inc., MLIC, and several other insurance companies violated the Act by filing false unclaimed property reports with the State of New York from 1986 to 2017, to avoid having to escheat the proceeds of more than 25,000 life insurance policies, including policies for which the defendants escheated funds as part of their demutualizations in the late 1990s. The Relator seeks treble damages and other relief. On April 3, 2019, the court granted MetLife, Inc.'s and MLIC's motion to dismiss and dismissed the complaint in its entirety. The Relator filed an appeal with the Appellate Division of the New York State Supreme Court, First Division.

Matters Related to Group Annuity Benefits and Assumed Variable Annuity Guarantee Reserves

In 2018, the Company announced that it identified two material weaknesses in its internal control over financial reporting related to the practices and procedures for estimating reserves for certain group annuity benefits and the calculation of reserves associated with certain variable annuity guarantees assumed from the former operating joint venture in Japan. Several regulators have made inquiries into these issues and it is possible that other jurisdictions may pursue similar investigations or inquiries. The Company is exposed to lawsuits, and could be exposed to additional legal actions relating to these issues. These may result in payments, including damages, fines, penalties, interest and other amounts assessed or awarded by courts or regulatory authorities under applicable escheat, tax, securities, Employee Retirement Income Security Act of 1974, or other laws or regulations. The Company could incur significant costs in connection with these actions.

Litigation Matters

Parchmann v. MetLife, Inc., et. al. (E.D.N.Y., filed February 5, 2018)

Plaintiff filed this putative class action seeking to represent a class of persons who purchased MetLife, Inc. common stock from February 27, 2013 through January 29, 2018. Plaintiff alleges that MetLife, Inc., its former Chief Executive Officer and Chairman of the Board, and its former Chief Financial Officer violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by issuing materially false and/or misleading financial statements. Plaintiff alleges that MetLife's practices and procedures for estimating reserves for certain group annuity benefits were inadequate, and that MetLife had inadequate internal control over financial reporting. Plaintiff seeks unspecified compensatory damages and other relief. Defendants intend to defend this action vigorously.

15. Contingencies, Commitments and Guarantees (continued)

Atkins et. al. v. MetLife, Inc., et. al. (D.Nev., filed November 18, 2019)

Plaintiffs filed this putative class action on behalf of all persons due benefits under group annuity contracts but who did not receive the entire amount to which they were entitled. Plaintiffs assert claims for breach of contract, breach of fiduciary duty, breach of implied covenant of good faith and fair dealing, unjust enrichment, and conversion based on allegations that the defendants failed to timely pay annuity benefits to certain group annuitants. Plaintiffs seek declaratory and injunctive relief, as well as unspecified compensatory and punitive damages, and other relief. On April 17, 2020, the parties filed a stipulation of voluntarily dismissal of the action without prejudice.

Derivative Actions and Demands

Shareholders, seeking to sue derivatively on behalf of MetLife, Inc., commenced three separate actions against certain current and former members of the MetLife, Inc. Board of Directors and/or certain current and former officers of MetLife, Inc., alleging that, among other things, they breached their fiduciary and other duties to the Company. In *Kates v. Kandarian, et al.* (E.D.N.Y., filed January 18, 2019, transferred to D. Del. July 8, 2019) and *Felt, et al. v. Grise, et al.* (D. Del., filed April 29, 2019), plaintiffs allege that the defendants disseminated or approved public statements that failed to disclose that MetLife's practices and procedures for estimating reserves for certain group annuity benefits were inadequate and that MetLife had inadequate internal control over financial reporting. In *Lifschitz v. Kandarian, et al.* (Del. Ch., filed June 19, 2019), plaintiff alleges that the MetLife, Inc. Board of Directors knew or should have known that MetLife's practices and procedures for estimating reserves for certain group annuity benefits were inadequate. *Felt* and *Lifschitz* have been consolidated in the Court of Chancery in Delaware under the caption *In re: MetLife, Inc. Derivative Litigation*. In all of these actions, plaintiffs allege that because of the defendants' breaches of duty, MetLife, Inc. has incurred damage to its reputation and has suffered other unspecified damages. The defendants intend to defend these actions vigorously.

The MetLife, Inc. Board of Directors received six letters, dated March 28, 2018, May 11, 2018, July 16, 2018, December 20, 2018, February 5, 2019, and April 7, 2020, written on behalf of individual stockholders, demanding that MetLife, Inc. take action against current and former directors and officers for alleged breaches of fiduciary duty and/or investigate, remediate, and recover damages allegedly suffered by the Company as a result of (i) the Company's allegedly inadequate practices and procedures for estimating reserves for certain group annuity benefits, (ii) the Company's allegedly inadequate internal controls over financial reporting and corporate governance practices and procedures, and (iii) the alleged dissemination of false or misleading information related to these issues. The MetLife, Inc. Board of Directors appointed a special committee to investigate the allegations set forth in these six letters.

Commitments

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $2.7 billion and $4.1 billion at June 30, 2020 and December 31, 2019, respectively.

Commitments to Fund Partnership Investments, Bank Credit Facilities, Bridge Loans and Private Corporate Bond Investments

The Company commits to fund partnership investments and to lend funds under bank credit facilities, bridge loans and private corporate bond investments. The amounts of these unfunded commitments were $8.7 billion and $8.1 billion at June 30, 2020 and December 31, 2019, respectively.

15. Contingencies, Commitments and Guarantees (continued)

Guarantees

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties such that it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third-party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than $1 million to $329 million, with a cumulative maximum of $523 million, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future. Management believes that it is unlikely the Company will have to make any material payments under these indemnities, guarantees, or commitments.

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these indemnities in the future.

The Company also has minimum fund yield requirements on certain pension funds. Since these guarantees are not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future.

The Company's recorded liabilities were $5 million and $6 million at June 30, 2020 and December 31, 2019, respectively, for indemnities, guarantees and commitments.

16. Subsequent Events

Common Stock Dividend

On July 8, 2020, the MetLife, Inc. Board of Directors declared a third quarter 2020 common stock dividend of $0.46 per share payable on September 14, 2020 to shareholders of record as of August 4, 2020. The Company estimates that the aggregate dividend payment will be $419 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Index to Management's Discussion and Analysis of Financial Condition and Results of Operations

	Page
Forward-Looking Statements and Other Financial Information	93
Executive Summary	93
Industry Trends	97
Summary of Critical Accounting Estimates	101
Economic Capital	102
Acquisitions and Dispositions	103
Results of Operations	104
Investments	128
Derivatives	144
Off-Balance Sheet Arrangements	146
Policyholder Liabilities	147
Liquidity and Capital Resources	156
Adoption of New Accounting Pronouncements	166
Future Adoption of New Accounting Pronouncements	166
Non-GAAP and Other Financial Disclosures	166
Subsequent Events	167

Forward-Looking Statements and Other Financial Information

For purposes of this discussion, "MetLife," the "Company," "we," "our" and "us" refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. This discussion should be read in conjunction with MetLife, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Annual Report"), the cautionary language regarding forward-looking statements included below, the "Risk Factors" set forth in Part II, Item 1A, and the additional risk factors referred to therein, "Quantitative and Qualitative Disclosures About Market Risk" and the Company's interim condensed consolidated financial statements included elsewhere herein.

This 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. See "Note Regarding Forward-Looking Statements" for cautionary language regarding forward-looking statements.

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes references to our performance measures, adjusted earnings and adjusted earnings available to common shareholders, that are not based on accounting principles generally accepted in the United States of America ("GAAP"). See "— Non-GAAP and Other Financial Disclosures" for definitions and a discussion of these and other financial measures, and "— Results of Operations" for reconciliations of historical non-GAAP financial measures to the most directly comparable GAAP measures.

Executive Summary

Overview

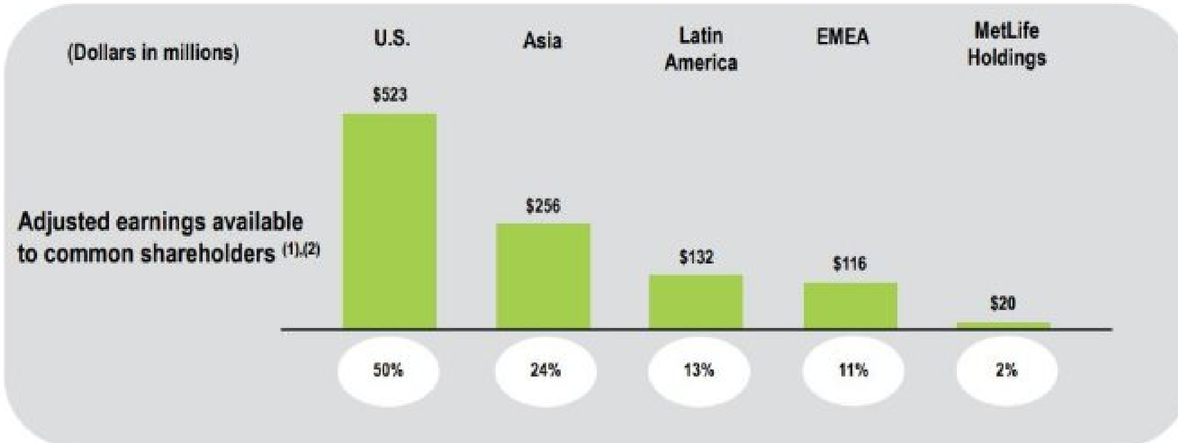
MetLife is one of the world's leading financial services companies, providing insurance, annuities, employee benefits and asset management. MetLife is organized into five segments: U.S.; Asia; Latin America; Europe, the Middle East and Africa ("EMEA"); and MetLife Holdings. In addition, the Company reports certain of its results of operations in Corporate & Other. See Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on the Company's segments and Corporate & Other. Management continues to evaluate the Company's segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability.

See "— Consolidated Company Outlook" for a discussion of the impact of the novel coronavirus COVID-19 pandemic (the "COVID-19 Pandemic") on the Company.

Current Period Highlights

During the three months ended June 30, 2020, overall adjusted premiums, fees and other revenues, net of foreign currency fluctuations, declined compared to the second quarter of 2019 in the majority of our segments, and most significantly in our U.S. segment, due, in large part, to the impacts of the COVID-19 Pandemic and related restrictions. Positive net flows drove an increase in our investment portfolio; however, investment yields substantially declined. Expenses, including interest credited expenses, also declined. Underwriting experience was favorable compared to the prior period and included both positive and negative impacts of the COVID-19 Pandemic and related restrictions. A significant unfavorable change in net derivative gains (losses) was primarily the result of increases in interest rates and key equity markets.

The following represents segment level results and percentage contributions to total segment level adjusted earnings available to common shareholders for the three months ended June 30, 2020:

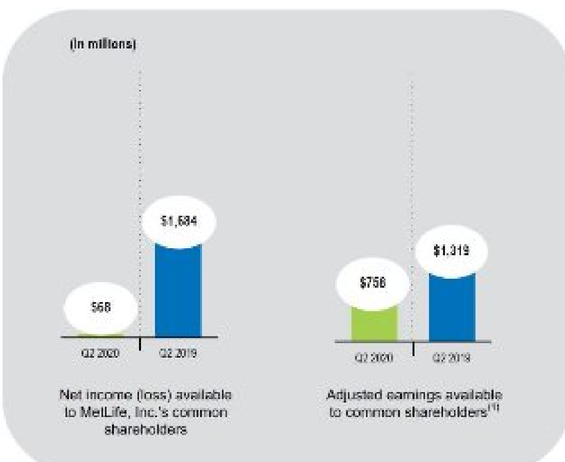


____

(1) Excludes Corporate & Other adjusted loss available to common shareholders of $289 million.

(2) Consistent with GAAP guidance for segment reporting, adjusted earnings is our GAAP measure of segment performance. For additional information, see Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements.

Three Months Ended June 30, 2020 Compared with the Three Months Ended June 30, 2019



Consolidated Results - Highlights

Net income (loss) available to MetLife, Inc.'s common shareholders down $1.6 billion:

- Unfavorable change in net derivative gains (losses) of $1.4 billion ($1.1 billion, net of income tax)
- Adjusted earnings available to common shareholders down $561 million

(1) See "— Results of Operations — Consolidated Results" and "— Non-GAAP and Other Financial Disclosures" for reconciliations and definitions of non-GAAP financial measures.

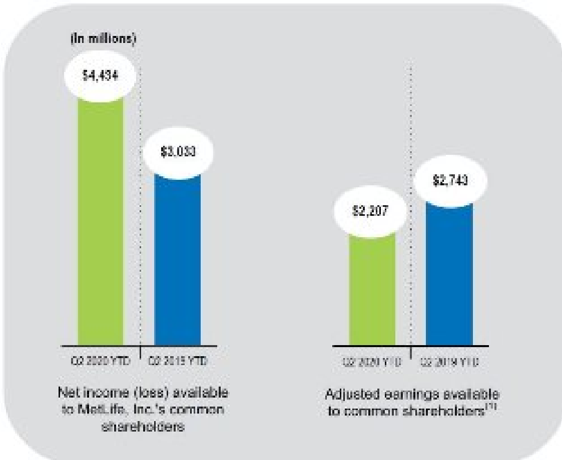
Consolidated Results - Adjusted Earnings Highlights

Adjusted earnings available to common shareholders down $561 million:

- The primary driver of the decrease in adjusted earnings was lower investment yields. This was partially offset by higher net investment income due to a larger asset base, a decrease in expenses, including interest credited expenses, and lower DAC amortization.
- Our results for the prior period included expenses associated with our previously announced unit cost initiative of $70 million, net of income tax.

For a more in-depth discussion of our consolidated results, see "— Results of Operations — Consolidated Results," "— Results of Operations — Consolidated Results — Adjusted Earnings" and "— Results of Operations — Segment Results and Corporate & Other."

Six Months Ended June 30, 2020 Compared with the Six Months Ended June 30, 2019



Consolidated Results - Highlights

Net income (loss) available to MetLife, Inc.'s common shareholders up $1.4 billion:

- Favorable change in net derivative gains (losses) of $2.7 billion ($2.1 billion, net of income tax)
- Adjusted earnings available to common shareholders down $536 million

(1) See "— Results of Operations — Consolidated Results" and "— Non-GAAP and Other Financial Disclosures" for reconciliations and definitions of non-GAAP financial measures.

Consolidated Results - Adjusted Earnings Highlights

Adjusted earnings available to common shareholders down $536 million:

- The primary driver of the decrease in adjusted earnings was lower investment yields. This was partially offset by higher net investment income due to a larger asset base, and a decrease in expenses, including interest credited expenses.
- Our results for the prior period included expenses associated with our previously announced unit cost initiative of $125 million, net of income tax.

For a more in-depth discussion of our consolidated results, see "— Results of Operations — Consolidated Results," "— Results of Operations — Consolidated Results — Adjusted Earnings" and "— Results of Operations — Segment Results and Corporate & Other."

Consolidated Company Outlook

The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Consolidated Company Outlook" included in the 2019 Annual Report. There have been no material changes to our consolidated company outlook from that previously discussed in the 2019 Annual Report except as noted below.

We continue to closely monitor developments relating to the COVID-19 Pandemic and assess its impact on our business. The COVID-19 Pandemic continues to impact the global economy and financial markets and has caused volatility in the global equity, credit and real estate markets. Governments and businesses have taken numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, social distancing, shelter in place or total lock down orders, and business limitations and shutdowns. Some governments and businesses have begun to ease some restrictions. Others have reinstated restrictions they previously lifted. Nevertheless, these measures have disrupted and will continue to disrupt business activity and have resulted in an economic slowdown and volatility in the financial markets, to which central banks around the world have responded with unprecedented fiscal and monetary policies. See "— Industry Trends — Financial and Economic Environment."

In addition, a prolonged low, zero, or negative interest rate environment remains possible. We anticipate that the current low interest rate environment will continue in 2020, and potentially longer. We believe that our investment portfolio is highly diversified and well positioned to withstand economic downturns; however, we expect that the market-related effects of the COVID-19 Pandemic, as well as the sustained low interest rate environment, will continue to have an impact across our investment portfolio. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment" included in the 2019 Annual Report for discussion of the mitigating actions the Company has taken to reduce interest rate sensitivity as market interest rates are a key driver of our results.

Events related to the COVID-19 Pandemic may continue to adversely affect our business operations, investment portfolio, derivatives, financial results or financial condition. See "Risk Factors — The Course of the Novel Coronavirus (COVID-19) Pandemic, and Responses to It, Are Uncertain and Difficult to Predict, But Have Adversely Affected and May Continue to Adversely Affect Our Business, Results of Operations, and Financial Condition." We have implemented risk management and business continuity plans and taken preventive measures and other precautions, such as employee business travel restrictions and remote work arrangements which, to date, have enabled us to maintain our critical business processes, customer service levels, relationships with key vendors, financial reporting systems, internal controls over financial reporting and disclosure controls and procedures.

We granted accommodations to our customers, borrowers and lessees, including (i) waiving exclusions, such as deferred rate increases, extending premium grace periods, waiving late payment fees, and relaxing claim documentation requirements, (ii) credits on auto and insured dental premiums, (iii) payment deferrals and other loan modifications on certain commercial, agricultural and residential mortgage loans, and (iv) certain operating and direct financing lease concessions. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding COVID-19 Pandemic-related mortgage loan and lease concessions.

During the first quarter of 2020, MetLife, Inc. proactively raised $2.0 billion from the capital markets ($1.0 billion of preferred stock and $1.0 billion of senior debt), providing us with additional capital flexibility in dealing with cash flow volatility related to the current environment, as well as demonstrating our ongoing access to capital markets. As of June 30, 2020, we had $6.6 billion of cash and liquid assets at the holding companies. See Notes 9 and 10 of the Notes to the Interim Condensed Consolidated Financial Statements.

Our capital stress testing and longstanding commitment to liquidity position us to withstand the current crisis. We have, and may continue to maintain, a higher than normal level of short-term liquidity, which may adversely affect net investment income if the reinvestment process occurs over an extended period of time. We do not expect any material liquidity deficiencies, and we expect to remain able to comply with the financial covenants of our credit agreements. See "— Liquidity and Capital Resources." We will continue reviewing accounting estimates, asset valuations and various financial scenarios for capital and liquidity. See "— Industry Trends — Regulatory Developments," "— Investments — Current Environment" and "Risk Factors" for additional information.

As noted in our 2019 Annual Report, we expected (i) the average annual ratio of free cash flow to adjusted earnings over the two-year period of 2020 and 2021 to be 65% to 75%, assuming interest rates follow the observable forward yield curves as of December 31, 2019, including a 10-year U.S. Treasury rate between 1.5% and 4.5%, and (ii) to generate approximately $20.0 billion of free cash flow over the next five years. Equity market prices have increased during the second quarter of 2020, but remain volatile. Interest rates remain low and we continue to see equity market volatility; as a result, our ability to meet these targets could be challenged.

Assuming (i) interest rates follow the observable forward yield curves as of June 30, 2020, including a 10-year U.S. Treasury rate of 0.66% at June 30, 2020, 0.75% at December 31, 2020 and 0.91% at December 31, 2021, (ii) a mid-single digit S&P Global Ratings ("S&P") 500 equity index decline for the full year 2020, and (iii) a mid-single digit S&P 500 equity index increase for the full year 2021, we expect the average annual ratio of free cash flow to adjusted earnings over the two-year period of 2019 and 2020 to be 65% to 75%. Over the two-year period of 2020 and 2021, if equity markets and credit spreads revert back to the March 31, 2020 levels, our average annual ratio of free cash flow to adjusted earnings could be 40% to 60% reflecting the impact of regulatory cash flow testing on our New York domiciled insurance entity, Metropolitan Life Insurance Company, and the related impact of the COVID-19 Pandemic on investment credit losses.

We continue to target an adjusted return on equity, excluding accumulated other comprehensive income ("AOCI") other than foreign currency translation adjustments ("FCTA") of 12% to 14% over the near-term under non-recessionary market conditions. However, with (i) recent macroeconomic changes and equity market volatility, (ii) actual private equity returns of negative 8% in the second quarter of 2020, and (iii) assuming (a) interest rates follow the observable forward yield curves as of June 30, 2020, including our updated assumptions for the 10-year U.S. Treasury rates noted above, (b) a mid-single digit S&P 500 equity index decline for the full year 2020, and (c) positive mid-single digit private equity returns in the third quarter of 2020, we expect to be below the low end of the target range. This target range also included the completion of restructuring charges related to our unit cost improvement program which, as we noted in our 2019 Annual Report, is expected to result in an approximately $900 million of pre-tax expense margin expansion in 2020, or approximately a 12.3% direct expense ratio, excluding total notable items related to direct expenses and pension risk transfers, in 2020. We remain committed to achieving this direct expense ratio in 2020 while creating additional capacity to fund over $1.0 billion in incremental technology and innovative investments to accelerate our growth over the next five years and to manage expense margins and protect profit margins in more challenging environments.

Furthermore, we remain fully committed to our Next Horizon Strategy, which was introduced at our December 2019 Investor Day.

Our outlook relies on the accuracy of our assumptions about future economic and business conditions, which can be affected by known and unknown risks and other uncertainties, such as those posed by the COVID-19 Pandemic. Due to the evolving and highly uncertain nature of the COVID-19 Pandemic, we are continually reviewing our assumptions, implementing plans, and taking precautions. As we obtain more information regarding the effects of the COVID-19 Pandemic, the effect and efficacy of efforts taken to respond to it, and the impact of these events on our business operations, investment portfolio, derivatives, financial results and financial condition, we may revise our outlook. Additional guidance from the U.S. Treasury, the U.S. Securities and Exchange Commission (the "SEC") or the Financial Accounting Standards Board may also require us to revise our outlook in future periods.

Industry Trends

The following information on industry trends should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends" in Part II, Item 7, of the 2019 Annual Report.

We continue to be impacted by the changing global financial and economic environment that has been affecting the industry.

Financial and Economic Environment

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities and derivatives are sensitive to changing market factors. See "Risk Factors — Economic Environment and Capital Markets Risks — Difficult Economic Conditions May Harm Our Businesses, Results of Operations or Financial Condition" included in the 2019 Annual Report.

We have market presence in numerous countries and, therefore, our business operations are exposed to risks posed by local and regional economic conditions. See "Business — Regulation — Fiscal Measures" and "Risk Factors — Economic Environment and Capital Markets Risks — Difficult Economic Conditions May Harm Our Businesses, Results of Operations or Financial Condition — Currency Exchange Rate Risk" included in the 2019 Annual Report.

We are closely monitoring political and economic conditions that might contribute to global market volatility and impact our business operations, investment portfolio and derivatives. For example, certain measures taken by governments and businesses as a result of the COVID-19 Pandemic to respond to the spread of the virus, have disrupted business activity and have resulted in an economic slowdown and volatility in financial markets. Governmental and non-governmental organizations may not effectively respond to the spread and severity of the COVID-19 Pandemic, increasing the magnitude and longevity of the potential negative economic impacts. We cannot yet determine or estimate the actions that will be taken, including governmental laws, regulations or orders, and the extent to which these actions have affected or will affect our business operations, investment portfolio, financial results, or financial condition. See "— Executive Summary — Consolidated Company Outlook" and "— Investments — Current Environment."

We are also monitoring the imposition of tariffs or other barriers to international trade, changes to international trade agreements, and their potential impacts on our business, results of operations and financial condition. See "— Regulatory Developments — Cross-Border Trade." See also "Risk Factors — Business Risks — The Global Nature of Our Operations Exposes Us to a Variety of Political, Legal, Operational, Economic and Other Risks" included in the 2019 Annual Report.

Central banks around the world are responding to the COVID-19 Pandemic with unprecedented fiscal and monetary policies, which are expected to have significant and ongoing effects on financial markets and the global economy. In the United States, the Board of Governors of the Federal Reserve System ("Federal Reserve Board"), which had been previously tightening monetary policy by raising the federal funds rate and shrinking the balance sheet, now has taken a number of actions to lower rates and has implemented additional stimulus measures, including a near zero policy rate, quantitative easing, and the easing of bank lending regulations. Additionally, the Federal Reserve Board has initiated a number of financing facilities, credit purchase programs, and reinstituted quantitative easing of U.S. Treasury securities and mortgages. The European Central Bank has significantly increased the size of its asset purchase program, reduced constraints on what and how much it can purchase, and launched new funding facilities for euro area banks, while the Bank of England significantly lowered interest rates and relaunched quantitative easing. Additionally, a number of European countries, including the United Kingdom ("U.K."), have implemented fiscal stimulus programs, as well as the provision of guarantees and loans for private sector companies. Subject to ratification by the European Parliament, the European Union recently approved a stimulus package comprised of grants and low interest financing to member states. In Japan, the Bank of Japan has accelerated its purchases of interests in index-linked securities and real estate investments, increased the annual limit on purchases of commercial paper and bonds, and introduced new measures to facilitate corporate financing, including a new lending program for businesses impacted by the COVID-19 Pandemic. In addition, the Japanese government recently approved additional stimulus measures, including provisions for cash payouts to individuals and business owners, tax reform, and zero-interest loans. We cannot predict with certainty the actions that will be taken, effect of these actions or the impact on our business operations, investment portfolio, financial results, or financial condition. See "— Investments — Current Environment."

Competitive Pressures

The life insurance industry remains highly competitive. See "Business — Competition" included in the 2019 Annual Report. Product development is focused on differentiation leading to more intense competition with respect to product features and services. Several of the industry's products can be quite homogeneous and subject to intense price competition. Cost reduction efforts are a priority for industry players, with benefits resulting in price adjustments to favor customers and reinvestment capacity. Larger companies have the ability to invest in brand equity, product development, technology optimization, risk management, and innovation, which are among the fundamentals for sustained profitable growth in the life insurance industry. Insurers are focused on their core businesses, specifically in markets where they can achieve scale. Insurers are increasingly seeking alternative sources of revenue; there is a focus on monetization of assets, fee-based services, and opportunities to offer comprehensive solutions, which include providing value-added services along with traditional products. Financial strength and flexibility and technology modernization are prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in analytics, distribution, and information technology and have the ability to leverage the capabilities of new digital entrants. There is a shift in distribution from proprietary to third party models in mature markets, due to the lower cost structure. Evolving customer expectations are having a significant impact on the competitive environment as insurers strive to offer the superior customer service demanded by an increasingly sophisticated industry client base. Legislative and other changes affecting the regulatory environment can also affect the competitive environment within the life insurance industry and within the broader financial services industry. See "— Industry Trends — Regulatory Developments," as well as "Business — Regulation" included in the 2019 Annual Report, as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments." We believe that the current low interest rate environment and increased volatility of the financial markets, as a result of the COVID-19 Pandemic, will continue to strain the life insurance industry, as well as the broader financial services industry. In addition to financial strength, technological efficiency and organizational agility, we believe that the ability to adapt to changes in the competitive environment as a result of the COVID-19 Pandemic is a significant differentiator to success in the life insurance industry and the broader financial services industry, and we are well positioned to compete in this environment.

Regulatory Developments

The following discussion on regulatory developments should be read in conjunction with "Business — Regulation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments" included in the 2019 Annual Report, as amended or supplemented here.

COVID-19 Pandemic-Related Regulatory Actions

In March 2020, many U.S. state governors and insurance regulators began issuing regulations, bulletins, directives and guidance in connection with the COVID-19 Pandemic. These encourage, request or direct health, life, and property and casualty insurance companies to waive cost-sharing for coronavirus COVID-19 testing, cover telehealth services, provide extended grace periods for premium payments, forbear on the cancellation or non-renewal of policies due to non-payment of premium, and provide other policyholder accommodations. For example, New York State Department of Financial Services ("NYDFS") Emergency Insurance Regulation 216 required life insurance- or annuity- authorized insurers to extend premium and fee payment grace periods to 90 days for policyholders who demonstrated COVID-19 Pandemic-related financial hardship. The emergency regulation was initially in effect between March 30, 2020 and June 28, 2020 and was later extended to July 6, 2020. New York licensed insurers also could not impose any late fees on or report such a policyholder to a credit reporting or debt collection agency for failure to timely pay any life or annuity premiums and needed to allow the policyholder to pay the premium over a 12-month period. An insurer was required to accept a policyholder's written attestation as proof of financial hardship as a result of the COVID-19 Pandemic. Also, we expect the National Association of Insurance Commissioners ("NAIC") to issue guidance on risk-based capital ("RBC") addressing troubled mortgage loans and other assets where the counterparty might seek concessions. An insurer need not reclassify the RBC category of some loans or other assets on which it has granted a concession. This may avoid a higher capital charge for the asset. We expect the NAIC to extend this guidance to December 31, 2020 financial statements in further support of the use of prudent loan modifications to mitigate the impact of the COVID-19 Pandemic.

In addition, several non-U.S. insurance regulators began issuing statements urging insurance companies to preserve funds during the COVID-19 Pandemic. For example, the European Insurance and Occupational Pensions Authority suggested insurance companies temporarily suspend discretionary dividends during the COVID-19 Pandemic. Similarly, the Mexican insurance regulator, the Comisión Nacional de Seguros y Fianzas, recommended limiting dividends for fiscal years 2019 and 2020. MetLife Mexico has reminded its regulator that it has historically exceeded regulatory capital minimums and expects to pay dividends as appropriate to its circumstances.

Other regulators have delayed, or considered delaying, implementing a variety of changes. For example, the Basel Committee on Banking Supervision and the International Organization of Securities Commissions proposed postponement of new initial margin requirement rules for non-centrally cleared derivatives, depending upon the counterparty's annual average notional amounts. The U.S. Commodities Future Trading Commission has postponed its initial margin requirements for non-cleared swaps and may extend compliance dates.

Some governmental decision-makers are not able to take action on certain regulatory priorities as a result of the COVID-19 Pandemic. For example, see the discussion on pending pension reform legislation in Chile under the caption "— ERISA, Fiduciary Considerations, and Other Pension and Retirement Regulation."

On March 27, 2020, President Trump signed into law the $2 trillion Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") to provide economic assistance in response to the COVID-19 Pandemic. Among other things, the CARES Act added certain tax-favored withdrawals and increased loan withdrawal limitations from eligible retirement plans, and temporarily waived required minimum distribution rules for qualified retirement plan participants and Individual Retirement Accounts owners. In response to the adverse economic impact of the COVID-19 Pandemic, the Company granted concessions to certain of its commercial, agricultural and residential mortgage loan borrowers, including payment deferrals and other loan modifications.

The Company has made accounting elections under the CARES Act and other recently issued guidance regarding loan and lease concessions. See "Investments — Mortgage Loans — Mortgage Loan Concessions" and "Investments — Leases — Lease Concessions" in Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements.

See "Risk Factors" in the 2019 Annual Report, as amended or supplemented under the caption "Risk Factors — The Course of the Novel Coronavirus (COVID-19) Pandemic, and Responses to It, Are Uncertain and Difficult to Predict, But Have Adversely Affected and May Continue to Adversely Affect Our Business, Results of Operations, and Financial Condition."

Insurance Regulation

National Association of Insurance Commissioners

On June 3, 2020, substantially consistent with the Model Holding Company Act provisions authorizing state insurance commissioners to act as global group-wide supervisors for internationally active insurance groups, the NYDFS amended Regulation 203 to permit the New York Superintendent of Financial Services to act as a group-wide supervisor.

The NAIC's Corporate Governance Annual Disclosure Model Act and Regulation, which requires insurers to make an annual confidential filing regarding their corporate governance policies, has been substantially adopted in nearly all states, including all of our insurance subsidiaries' domiciliary states, except New York where a proposed regulation is pending.

On February 26, 2020, the NYDFS amended Regulation 213 relating to principle-based reserving ("PBR"). The amendment deviates from the Valuation Manual and is likely to cause variable annuity reserve and capital requirement increases. Based on conditions at June 30, 2020, we estimate that the new PBR rules have increased our statutory reserves by approximately $1.8 billion and our statutory capital requirements by $0.5 billion over the prior reserve and capital requirements. We will be permitted to grade these effects into our statutory financial statements over a period of up to five years.

The NAIC will require liquidity narratives and data in 2020 as an interim step while it continues to develop a liquidity stress-testing framework for certain large U.S. life insurers and insurance groups that will be used as a regulatory tool.

Surplus and Capital

Solvency Regimes

The U.K. has ceased to be a member of the European Union ("EU") and has entered into a transition period which it expects to end on December 31, 2020. Following this period, the U.K. will no longer be subject to EU law and, subject to the structure of any future relationship that it may have with the EU, insurance regulation in the U.K. may diverge from the Solvency II Directive.

In Korea, the Financial Supervisory Service plans to implement a new solvency system reflecting the International Capital Standard but incorporating certain product portfolio and other features specific to the Korean market by 2023.

Cybersecurity and Privacy Regulation

Effective July 1, 2020, California's Attorney General is authorized to bring enforcement actions under the California Consumer Privacy Act.

ERISA, Fiduciary Considerations, and Other Pension and Retirement Regulation

In June 2020, the U.S. Department of Labor ("DOL") proposed to allow investment advice fiduciaries to receive compensation without violating Employee Retirement Income Security Act of 1974 ("ERISA"), subject to impartial conduct standards and disclosure obligations. The proposal aligns with the SEC's Regulation Best Interest. The DOL also reinstated its 1975 five-part definition of investment advice.

The SEC's Regulation Best Interest became effective June 30, 2020. The rule requires broker-dealers to act in the best interest of individual investor retail clients when recommending securities or investment strategies to benefit plans governed by ERISA and IRAs, as well as non-benefit plan retail clients. In addition, broker-dealers and investment advisers to retail clients must provide a Form CRS to retail clients describing their services and conflicts of interest. In September 2019, private advisory firms, several states and the District of Columbia brought two lawsuits challenging the validity of Regulation Best Interest. The U.S. Court of Appeals for the Second Circuit dismissed these lawsuits.

On February 21, 2020, the Massachusetts Securities Division adopted a fiduciary duty rule applicable to broker-dealer advice on securities or investment strategies; the rule does not apply to advice on commodities or insurance products, including variable products.

In January 2020, the lower house approved the pension reform bill that Chilean President Sebastian Piñera introduced in November 2018. The next step is discussion of the bill in the Senate committees. The Senate started to discuss the bill in March 2020, but the COVID-19 Pandemic and the economic priorities delayed pension reform. At this time, the proposed amendments would not impact the 10% mandatory employee contributions managed by MetLife's pension administrator in Chile. We cannot predict the timing of adoption or the terms of the final text of the bill and cannot identify all of the risks or opportunities to our business in Chile.

In July 2020, Chile enacted a law to allow individuals to withdraw up to 10% of pension accounts. ProVida S.A. and other companies have been accepting withdrawal requests.

Derivatives Regulation

The SEC's security-based swaps rules will take effect 18 months following April 6, 2020. We do not expect these rules to significantly affect our business.

Cross-Border Trade

Each of the United States, Canada and Mexico ratified the United States-Mexico-Canada Agreement and provided notice that they completed domestic implementation. The agreement entered into effect on July 1, 2020.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the Interim Condensed Consolidated Financial Statements. The most critical estimates include those used in determining:

(i) liabilities for future policy benefits and the accounting for reinsurance;

(ii) capitalization and amortization of deferred policy acquisition costs ("DAC") and the establishment and amortization of value of business acquired ("VOBA");

(iii) estimated fair values of investments in the absence of quoted market values;

(iv) investment allowance for credit loss ("ACL") and impairments;

(v) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;

(vi) measurement of goodwill and related impairment;

(vii) measurement of employee benefit plan liabilities;

(viii) measurement of income taxes and the valuation of deferred tax assets; and

(ix) liabilities for litigation and regulatory matters.

In addition, the application of acquisition accounting requires the use of estimation techniques in determining the estimated fair values of assets acquired and liabilities assumed — the most significant of which relate to the aforementioned critical accounting estimates. 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 our business and operations. Actual results could differ from these estimates.

The Company's critical accounting estimates are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" and Note 1 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report. Effective January 1, 2020, the Company adopted new accounting pronouncements related to the measurement of credit loss on financial instruments and simplifying the test for goodwill impairment, as described below and in Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Investment Allowance for Credit Loss and Impairments

The significant estimates related to our evaluation of credit loss and impairments on our investment portfolio are summarized below. In addition, information about the evaluation processes and measurement methodologies and changes thereto from the implementation of new guidance on January 1, 2020, is contained in Notes 1 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements.

Fixed Maturity Securities AFS

The assessment of whether a credit loss has occurred is based on our case-by-case evaluation of whether the net amount expected to be collected is less than the amortized cost basis. We consider a wide range of factors about the security issuer and use our best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. In accordance with new guidance adopted January 1, 2020, we evaluate credit loss by considering information about past events, current and forecasted economic conditions, and we measure credit loss by estimating recovery value using a discounted cash flow analysis. These evaluations are revised as conditions change and new information becomes available.

In accordance with previous guidance, which was an incurred loss model, the credit loss evaluation process and the measurement of credit loss were generally similar.

Mortgage Loans

The ACL is established both for pools of loans with similar risk characteristics and for loans with dissimilar risk characteristics, collateral dependent loans and reasonably expected troubled debt restructurings, individually on a loan specific basis. We record an allowance for expected credit loss in an amount that represents the portion of the amortized cost basis of mortgage loans that we do not expect to collect, resulting in mortgage loans being presented at the net amount expected to be collected. In accordance with new guidance adopted January 1, 2020, to determine the mortgage loan ACL, we estimate lifetime credit loss expected over the contractual term of our mortgage loans adjusted for expected prepayments and any extensions; and we consider past events, current economic conditions and forecasts of future economic conditions. Our estimates are revised as conditions change and new information becomes available.

In accordance with previous guidance, which was an incurred loss model, the credit loss evaluation process and the measurement of credit loss were generally similar.

Real Estate, Leases and Other Asset Classes

The determination of the amount of ACL and impairments on real estate, leases and the remaining invested asset classes is highly subjective and is based upon our quarterly evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

Goodwill

Goodwill is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test.

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, an impairment charge would be recognized for the amount by which the carrying value exceeds the reporting unit's fair value; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit. Additionally, the Company will consider income tax effects from any tax deductible goodwill on the carrying value of the reporting unit when measuring the goodwill impairment loss, if applicable. The key inputs, judgments and assumptions necessary in determining estimated fair value of the reporting units include projected adjusted earnings, current book value, the level of economic capital required to support the mix of business, long-term growth rates, comparative market multiples, the account value of in-force business, projections of new and renewed business, as well as margins on such business, interest rate levels, credit spreads, equity market levels, and the discount rate that we believe is appropriate for the respective reporting unit.

We apply significant judgment when determining the estimated fair value of our reporting units and when assessing the relationship of market capitalization to the aggregate estimated fair value of our reporting units. The valuation methodologies utilized are subject to key judgments and assumptions that are sensitive to change. Estimates of fair value are inherently uncertain and represent only management's reasonable expectation regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood differ in some respects from actual future results. Declines in the estimated fair value of our reporting units could result in goodwill impairments in future periods which could materially adversely affect our results of operations or financial position.

For additional information on goodwill, see Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Economic Capital

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 our business. Our economic capital model, coupled with considerations of local capital requirements, aligns segment allocated equity with emerging standards and consistent risk principles. Economic capital-based risk estimation is an evolving science and industry best practices have emerged and continue to evolve. Areas of evolving industry best practices include stochastic liability valuation techniques, alternative methodologies for the calculation of diversification benefits, and the quantification of appropriate shock levels. MetLife'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. For further information, see "Financial Measures and Segment Accounting Policies" in Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements.

Acquisitions and Dispositions

Acquisition of PetFirst

In January 2020, the Company completed the acquisition of PetFirst Healthcare, LLC ("PetFirst"), a fast-growing pet health insurance administrator.

Disposition of MetLife Hong Kong

For information regarding the Company's sale of its two wholly-owned subsidiaries, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited (collectively, "MetLife Hong Kong"), see Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements.

Results of Operations

Consolidated Results

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Revenues				
Premiums	$ 8,736	$ 10,129	$ 18,202	$ 19,534
Universal life and investment-type product policy fees	1,299	1,412	2,730	2,777
Net investment income	4,087	4,693	7,148	9,601
Other revenues	456	478	895	972
Net investment gains (losses)	231	61	(57)	76
Net derivative gains (losses)	(710)	724	3,491	839
Total revenues	14,099	17,497	32,409	33,799
Expenses				
Policyholder benefits and claims and policyholder dividends	8,957	10,295	18,271	19,667
Interest credited to policyholder account balances	1,962	1,515	2,042	3,476
Capitalization of DAC	(671)	(837)	(1,445)	(1,649)
Amortization of DAC and VOBA	560	689	1,348	1,313
Amortization of negative VOBA	(10)	(10)	(20)	(20)
Interest expense on debt	232	274	454	508
Other expenses	2,872	3,274	5,919	6,463
Total expenses	13,902	15,200	26,569	29,758
Income (loss) before provision for income tax	197	2,297	5,840	4,041
Provision for income tax expense (benefit)	47	551	1,289	910
Net income (loss)	150	1,746	4,551	3,131
Less: Net income (loss) attributable to noncontrolling interests	5	5	8	9
Net income (loss) attributable to MetLife, Inc.	145	1,741	4,543	3,122
Less: Preferred stock dividends	77	57	109	89
Net income (loss) available to MetLife, Inc.'s common shareholders	$ 68	$ 1,684	$ 4,434	$ 3,033

Three Months Ended June 30, 2020 Compared with the Three Months Ended June 30, 2019

During the three months ended June 30, 2020, net income (loss) decreased $1.6 billion from the prior period, primarily driven by unfavorable changes in net derivative gains (losses) and adjusted earnings.

Management of Investment Portfolio and Hedging Market Risks with Derivatives. We manage our investment portfolio using disciplined asset/liability management ("ALM") principles, focusing on cash flow and duration to support our current and future liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows of comparable timing and amount, while optimizing risk-adjusted investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities available-for-sale ("AFS") and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. In addition, our general account investment portfolio includes, within contractholder-directed equity securities and fair value option securities ("FVO Securities"), contractholder-directed equity securities supporting unit-linked variable annuity type liabilities ("Unit-linked investments"), which do not qualify as separate account assets. Returns on these Unit-linked investments, which can vary significantly from period to period, include changes in estimated fair value subsequent to purchase, inure to contractholders and are offset in earnings by a corresponding change in policyholder account balances through interest credited to policyholder account balances.

We purchase investments to support our insurance liabilities and not to generate net investment gains and losses. However, net investment gains and losses are incurred and can change significantly from period to period due to changes in external influences, including changes in market factors such as interest rates, foreign currency exchange rates, credit spreads and equity markets; counterparty specific factors such as financial performance, credit rating and collateral valuation; and internal factors such as portfolio rebalancing. Changes in these factors from period to period can significantly impact the levels of provision for credit loss and impairments on our investment portfolio, as well as realized gains and losses on investments sold.

We also use derivatives as an integral part of our management of the investment portfolio and insurance liabilities to hedge certain risks, including changes in interest rates, foreign currency exchange rates, credit spreads and equity market levels. We use freestanding interest rate, equity, credit and currency derivatives to hedge certain invested assets and insurance liabilities. A portion of these hedges are designated and qualify as accounting hedges, which reduce volatility in earnings. For those hedges not designated as accounting hedges, changes in market factors lead to the recognition of fair value changes in net derivative gains (losses) generally without an offsetting gain or loss recognized in earnings for the item being hedged, which creates volatility in earnings. We actively evaluate market risk hedging needs and strategies to ensure our free cash flow and capital objectives are met under a range of market conditions.

Certain variable annuity products with guaranteed minimum benefits contain embedded derivatives that are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value recorded in net derivative gains (losses). We use freestanding derivatives to hedge the market risks inherent in these variable annuity guarantees. We continuously review and refine our strategy and ongoing refinement of the strategy may be required to take advantage of the NAIC rules related to a statutory accounting election for derivatives that mitigate interest rate sensitivity related to variable annuity guarantees. Our macro hedge program, included in the non-VA program derivatives section of the table below, protects our overall statutory capital from significant adverse economic conditions. The valuation of these embedded derivatives includes a nonperformance risk adjustment, which is unhedged, and can be a significant driver of net derivative gains (losses) and volatility in earnings, but does not have an economic impact on us.

Net Derivative Gains (Losses). The variable annuity embedded derivatives and associated freestanding derivative hedges are collectively referred to as “VA program derivatives.” All other derivatives that are economic hedges of certain invested assets and insurance liabilities are referred to as “non-VA program derivatives.” The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

	Three Months Ended June 30,	
	2020	**2019**
	(In millions)	
Non-VA program derivatives		
Interest rate	$ (53)	$ 884
Foreign currency exchange rate	(77)	56
Credit	119	64
Equity	(519)	(52)
Non-VA embedded derivatives	(130)	(47)
Total non-VA program derivatives	(660)	905
VA program derivatives		
Market risks in embedded derivatives	657	(19)
Nonperformance risk adjustment on embedded derivatives	(110)	(13)
Other risks in embedded derivatives	(46)	(67)
Total embedded derivatives	501	(99)
Freestanding derivatives hedging embedded derivatives	(551)	(82)
Total VA program derivatives	(50)	(181)
Net derivative gains (losses)	$ (710)	$ 724

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was $1.6 billion ($1.2 billion, net of income tax). This was primarily due to an unfavorable change in interest rate impact due to long-term U.S. interest rates increasing in the current period versus decreasing in the prior period, unfavorably impacting interest rate options, receive fixed interest rate swaps, and total rate of return swaps. In addition, key equity markets increased more in the current period than in the prior period, unfavorably impacting equity options acquired primarily as part of our macro hedge program. In addition, the Japanese yen weakened relative to the Australian dollar in the current period versus strengthened in the prior period, unfavorably impacting foreign currency forwards that primarily hedge foreign currency-denominated bonds. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the items being hedged.

The favorable change in net derivative gains (losses) on VA program derivatives was $131 million ($103 million, net of income tax). This was due to a favorable change of $207 million ($163 million, net of income tax) in market risks in embedded derivatives, partially offset by freestanding derivatives hedging market risks in embedded derivatives, in addition to a favorable change of $21 million, ($17 million, net of income tax) in other risks in embedded derivatives, partially offset by an unfavorable change of $97 million ($77 million, net of income tax) in the nonperformance risk adjustment on embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The aforementioned $207 million ($163 million, net of income tax) favorable change reflects a $676 million ($534 million, net of income tax) favorable change in market risks in embedded derivatives, partially offset by a $469 million ($371 million, net of income tax) unfavorable change in freestanding derivatives hedging market risks in embedded derivatives.

The primary changes in market factors affecting VA program derivatives are summarized as follows:

- Long-term U.S. and Japan interest rates increased in the current period and decreased in the prior period, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the 30-year U.S. swap rate increased 4 basis points in the current period and decreased 37 basis points in the prior period and the 30-year Japan swap rate increased 15 basis points in the current period and decreased 13 basis points in the prior period.
- Key equity index levels increased more in the current period than in the prior period, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the S&P 500 Index increased 20% in the current period and increased 4% in the prior period.

The aforementioned $21 million ($17 million, net of income tax) favorable change in other risks in embedded derivatives reflects actuarial assumption updates and a combination of factors, which include fees deducted from accounts, changes in the benefit base, premiums, lapses, withdrawals and deaths, in addition to changes to cross-effect, basis mismatch, risk margin and fund allocation.

The aforementioned $97 million ($77 million, net of income tax) unfavorable change in the nonperformance risk adjustment on embedded derivatives resulted from an unfavorable change of $63 million, before income tax, related to model changes and changes in capital market inputs, such as long-term interest rates and key equity index levels, on variable annuity guarantees, in addition to an unfavorable change of $34 million, before income tax, related to changes in our own credit spread.

When equity index levels decrease in isolation, the variable annuity guarantees become more valuable to policyholders, which results in an increase in the undiscounted embedded derivative liability. Discounting this unfavorable change by the risk adjusted rate yields a smaller loss than by discounting at the risk-free rate, thus creating a gain from including an adjustment for nonperformance risk.

When the risk-free interest rate decreases in isolation, discounting the embedded derivative liability produces a higher valuation of the liability than if the risk-free interest rate had remained constant. Discounting this unfavorable change by the risk adjusted rate yields a smaller loss than by discounting at the risk-free interest rate, thus creating a gain from including an adjustment for nonperformance risk.

When our own credit spread increases in isolation, discounting the embedded derivative liability produces a lower valuation of the liability than if our own credit spread had remained constant. As a result, a gain is created from including an adjustment for nonperformance risk. For each of these primary market drivers, the opposite effect occurs when the driver moves in the opposite direction.

Net Investment Gains (Losses). The favorable change in net investment gains (losses) of $170 million ($134 million, net of income tax) primarily reflects a current period recovery on a leveraged lease that was previously impaired, mark-to-market gains on equity securities in the current period, which are measured at estimated fair value through net income, and a loss in the prior period as a result of the definitive agreement to sell of MetLife Hong Kong. These favorable changes were partially offset by a higher provision for credit loss on mortgage loans.

Taxes. For the three months ended June 30, 2020, our effective tax rate on income (loss) before provision for income tax was 24%. Our effective tax rate differed from the U.S. statutory rate of 21% primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate, partially offset by tax benefits related to non-taxable investment income and tax credits. For the three months ended June 30, 2019, our effective tax rate on income (loss) before provision for income tax was 24%. Our effective tax rate differed from the U.S. statutory rate of 21% primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and the impact of the definitive agreement to sell MetLife Hong Kong, partially offset by tax benefits related to non-taxable investment income and tax credits.

Adjusted Earnings. As more fully described in "— Non-GAAP and Other Financial Disclosures," we use adjusted earnings, which does not equate to net income (loss), as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of adjusted earnings and other financial measures based on adjusted earnings, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Adjusted earnings and other financial measures based on adjusted earnings allow analysis of our performance relative to our business plan and facilitate comparisons to industry results. Adjusted earnings should not be viewed as a substitute for net income (loss). Adjusted earnings available to common shareholders and adjusted earnings available to common shareholders on a constant currency basis should not be viewed as substitutes for net income (loss) available to MetLife, Inc.'s common shareholders. Adjusted earnings available to common shareholders decreased $561 million, net of income tax, to $758 million, net of income tax, for the three months ended June 30, 2020 from $1,319 million, net of income tax, for the three months ended June 30, 2019.

Six Months Ended June 30, 2020 Compared with the Six Months Ended June 30, 2019

During the six months ended June 30, 2020, net income (loss) increased $1.4 billion from the prior period, primarily driven by a favorable change in net derivative gains (losses), partially offset by an unfavorable change in adjusted earnings.

Net Derivative Gains (Losses). The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

	Six Months Ended June 30,	
	2020	2019
	(In millions)	
Non-VA program derivatives		
Interest rate	$ 4,165	$ 1,311
Foreign currency exchange rate	(52)	54
Credit	(105)	201
Equity	(4)	(278)
Non-VA embedded derivatives	(5)	(130)
Total non-VA program derivatives	3,999	1,158
VA program derivatives		
Market risks in embedded derivatives	(830)	366
Nonperformance risk adjustment on embedded derivatives	75	(75)
Other risks in embedded derivatives	(291)	(114)
Total embedded derivatives	(1,046)	177
Freestanding derivatives hedging embedded derivatives	538	(496)
Total VA program derivatives	(508)	(319)
Net derivative gains (losses)	$ 3,491	$ 839

The favorable change in net derivative gains (losses) on non-VA program derivatives was $2.8 billion ($2.2 billion, net of income tax). This was primarily due to a favorable change in interest rate impact due to long-term U.S. interest rates decreasing more in the current period than in the prior period, favorably impacting interest rate options, receive fixed interest rate swaps, and total rate of return swaps. In addition, key equity markets decreased in the current period versus increased in the prior period, favorably impacting equity options acquired primarily as part of our macro hedge program. There was also a change in the value of the underlying assets, favorably impacting non-VA embedded derivatives related to funds withheld on a certain reinsurance agreement. These favorable impacts were partially offset by credit spreads widening in the current period and narrowing in the prior period, unfavorably impacting written credit default swaps used in replications. In addition, the unfavorable impact of the Chilean peso weakening relative to the U.S. dollar in the current period versus strengthening in the prior period unfavorably impacted foreign currency forwards that primarily hedge foreign currency-denominated bonds. Also, changes in the cross currency basis spread and currency volatility between the Japanese yen and the U.S. dollar associated with foreign currency forwards that primarily hedge foreign currency-denominated bonds, contributed to the unfavorable impact. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the items being hedged.

The unfavorable change in net derivative gains (losses) on VA program derivatives was $189 million ($149 million, net of income tax). This was due to an unfavorable change of $162 million ($128 million, net of income tax) in market risks in embedded derivatives, partially offset by freestanding derivatives hedging market risks in embedded derivatives, in addition to an unfavorable change of $177 million ($140 million, net of income tax) in other risks in embedded derivatives, partially offset by a favorable change of $150 million ($119 million, net of income tax) in the nonperformance risk adjustment on embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The aforementioned $162 million ($128 million, net of income tax) unfavorable change reflects a $1.2 billion ($945 million, net of income tax) unfavorable change in market risks in embedded derivatives, partially offset by a $1.0 billion ($817 million, net of income tax) favorable change in freestanding derivatives hedging market risks in embedded derivatives.

The primary changes in market factors affecting VA program derivatives are summarized as follows:

- Long-term U.S. interest rates decreased more in the current period than in the prior period while long-term Japan interest rates decreased less, contributing to an unfavorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives. For example, the 30-year U.S. swap rate decreased 117 basis points in the current period and decreased 62 basis points in the prior period, while the 30-year Japan swap rate decreased 8 basis points in the current period and decreased 31 basis points in the prior period.
- Key equity index levels decreased in the current period and increased in the prior period, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives. For example, the S&P 500 Index decreased 4% in the current period and increased 17% in the prior period.

The aforementioned $177 million ($140 million, net of income tax) unfavorable change in other risks in embedded derivatives reflects actuarial assumption updates and a combination of factors, which include fees deducted from accounts, changes in the benefit base, premiums, lapses, withdrawals and deaths, in addition to changes to cross-effect, basis mismatch, risk margin and fund allocation.

The aforementioned $150 million ($119 million, net of income tax) favorable change in the nonperformance risk adjustment on embedded derivatives resulted from a favorable change of $81 million, before income tax, related to model changes and changes in capital market inputs, such as long-term interest rates and key equity index levels, on variable annuity guarantees, in addition to a favorable change of $69 million, before income tax, related to changes in our own credit spread.

Net Investment Gains (Losses). The unfavorable change in net investment gains (losses) of $133 million ($105 million, net of income tax) primarily reflects mark-to-market losses on equity securities in the current period, which are measured at estimated fair value through net income, a prior period gain on a renewable energy partnership and higher provisions for credit loss on fixed maturity securities and mortgage loans. These unfavorable impacts were partially offset by higher gains on sales of fixed maturity securities, a current period recovery on a leveraged lease that was previously impaired, a prior period tax credit partnership impairment and a loss in the prior period as a result of the definitive agreement to sell MetLife Hong Kong.

Taxes. For the six months ended June 30, 2020, our effective tax rate on income (loss) before provision for income tax was 22%. Our effective tax rate differed from the U.S. statutory rate of 21% primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate, partially offset by tax benefits related to non-taxable investment income, tax credits and the finalization of bankruptcy proceedings for a leveraged lease investment. For the six months ended June 30, 2019, our effective tax rate on income (loss) before provision for income tax was 23%. Our effective tax rate differed from the U.S. statutory rate of 21% primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and the impact of the definitive agreement to sell MetLife Hong Kong, partially offset by tax benefits related to non-taxable investment income and tax credits.

Adjusted Earnings. Adjusted earnings available to common shareholders decreased $536 million, net of income tax, to $2,207 million, net of income tax, for the six months ended June 30, 2020 from $2,743 million, net of income tax, for the six months ended June 30, 2019.

Reconciliation of net income (loss) to adjusted earnings available to common shareholders and premiums, fees and other revenues to adjusted premiums, fees and other revenues

Three Months Ended June 30, 2020

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate& Other	Total
	(In millions)						
Net income (loss) available to MetLife, Inc.'s common shareholders	$ 498	$ 139	$ 124	$ 89	$ (483)	$ (299)	$ 68
Add: Preferred stock dividends	—	—	—	—	—	77	77
Add: Net income (loss) attributable to noncontrolling interests	—	1	2	2	—	—	5
Net income (loss)	$ 498	$ 140	$ 126	$ 91	$ (483)	$ (222)	$ 150
Less: adjustments from net income (loss) to adjusted earnings available to common shareholders:							
Revenues:							
Net investment gains (losses)	10	59	39	15	16	92	231
Net derivative gains (losses)	49	(173)	91	(60)	(526)	(91)	(710)
Premiums	—	20	—	—	—	—	20
Universal life and investment-type product policy fees	—	7	—	3	21	—	31
Net investment income	(81)	116	38	636	(68)	2	643
Other revenues	—	—	—	—	—	39	39
Expenses:							
Policyholder benefits and claims and policyholder dividends	(12)	(38)	(104)	5	(96)	1	(244)
Interest credited to policyholder account balances	3	(143)	(46)	(615)	—	—	(801)
Capitalization of DAC	—	2	—	—	—	—	2
Amortization of DAC and VOBA	—	(9)	—	—	17	—	8
Amortization of negative VOBA	—	—	—	—	—	—	—
Interest expense on debt	—	—	—	—	—	—	—
Other expenses	—	(10)	4	—	—	(49)	(55)
Goodwill impairment	—	—	—	—	—	—	—
Provision for income tax (expense) benefit	6	53	(28)	(9)	133	(4)	151
Adjusted earnings	$ 523	$ 256	$ 132	$ 116	$ 20	$ (212)	$ 835
Less: Preferred stock dividends						77	77
Adjusted earnings available to common shareholders						$ (289)	$ 758
Premiums, fees and other revenues	$ 5,692	$ 2,045	$ 737	$ 663	$ 1,229	$ 125	$ 10,491
Less: adjustments to premiums, fees and other revenues	—	27	—	3	21	39	90
Adjusted premiums, fees and other revenues	$ 5,692	$ 2,018	$ 737	$ 660	$ 1,208	$ 86	$ 10,401

Three Months Ended June 30, 2019

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate& Other	Total
				(In millions)			
Net income (loss) available to MetLife, Inc.'s common shareholders	$ 858	$ 501	$ 98	$ 101	$ 557	$ (431)	$ 1,684
Add: Preferred stock dividends	—	—	—	—	—	57	57
Add: Net income (loss) attributable to noncontrolling interests	—	—	3	—	—	2	5
Net income (loss)	$ 858	$ 501	$ 101	$ 101	$ 557	$ (372)	$ 1,746
Less: adjustments from net income (loss) to adjusted earnings available to common shareholders:							
Revenues:							
Net investment gains (losses)	18	3	(19)	16	86	(43)	61
Net derivative gains (losses)	197	329	21	11	264	(98)	724
Premiums	—	—	—	—	—	—	—
Universal life and investment-type product policy fees	—	21	—	5	22	—	48
Net investment income	(56)	(21)	(6)	250	(31)	3	139
Other revenues	—	2	—	—	—	69	71
Expenses:							
Policyholder benefits and claims and policyholder dividends	(6)	(3)	(62)	(2)	(42)	3	(112)
Interest credited to policyholder account balances	6	(5)	(10)	(242)	—	—	(251)
Capitalization of DAC	—	—	—	—	—	—	—
Amortization of DAC and VOBA	—	(19)	—	1	26	—	8
Amortization of negative VOBA	—	—	—	—	—	—	—
Interest expense on debt	—	—	—	—	—	—	—
Other expenses	—	—	3	(4)	—	(81)	(82)
Goodwill impairment	—	—	—	—	—	—	—
Provision for income tax (expense) benefit	(33)	(165)	15	(11)	(67)	25	(236)
Adjusted earnings	$ 732	$ 359	$ 159	$ 77	$ 299	$ (250)	$ 1,376
Less: Preferred stock dividends						57	57
Adjusted earnings available to common shareholders						$ (307)	$ 1,319
Adjusted earnings available to common shareholders on a constant currency basis (1)	$ 732	$ 353	$ 128	$ 73	$ 299	$ (307)	$ 1,278
Premiums, fees and other revenues	$ 6,731	$ 2,086	$ 1,064	$ 674	$ 1,297	$ 167	$ 12,019
Less: adjustments to premiums, fees and other revenues	—	23	—	5	22	69	119
Adjusted premiums, fees and other revenues	$ 6,731	$ 2,063	$ 1,064	$ 669	$ 1,275	$ 98	$ 11,900
Adjusted premiums, fees and other revenues on a constant currency basis (1)	$ 6,731	$ 2,073	$ 882	$ 649	$ 1,275	$ 98	$ 11,708

(1) Amounts for U.S., MetLife Holdings and Corporate & Other are shown on a reported basis, as constant currency impact is not significant.

Table of Contents

Six Months Ended June 30, 2020

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate& Other	Total
	(In millions)						
Net income (loss) available to MetLife, Inc.'s common shareholders	$ 1,551	$ 1,006	$ (89)	$ 301	$ 2,241	$ (576)	$ 4,434
Add: Preferred stock dividends	—	—	—	—	—	109	109
Add: Net income (loss) attributable to noncontrolling interests	—	1	3	3	—	1	8
Net income (loss)	$ 1,551	$ 1,007	$ (86)	$ 304	$ 2,241	$ (466)	$ 4,551
Less: adjustments from net income (loss) to adjusted earnings available to common shareholders:							
Revenues:							
Net investment gains (losses)	(23)	157	28	9	(96)	(132)	(57)
Net derivative gains (losses)	488	600	(269)	11	2,680	(19)	3,491
Premiums	—	52	—	—	—	—	52
Universal life and investment-type product policy fees	—	28	(3)	9	43	—	77
Net investment income	(134)	(125)	(15)	(229)	(116)	2	(617)
Other revenues	—	—	—	—	—	81	81
Expenses:							
Policyholder benefits and claims and policyholder dividends	(24)	(72)	(141)	95	(53)	—	(195)
Interest credited to policyholder account balances	7	92	(6)	244	—	—	337
Capitalization of DAC	—	5	—	—	—	—	5
Amortization of DAC and VOBA	—	(43)	—	(1)	3	—	(41)
Amortization of negative VOBA	—	—	—	—	—	—	—
Interest expense on debt	—	—	—	—	—	—	—
Other expenses	—	(24)	4	(2)	—	(99)	(121)
Goodwill impairment	—	—	—	—	—	—	—
Provision for income tax (expense) benefit	(66)	(269)	89	(26)	(517)	12	(777)
Adjusted earnings	$ 1,303	$ 606	$ 227	$ 194	$ 297	$ (311)	$ 2,316
Less: Preferred stock dividends						109	109
Adjusted earnings available to common shareholders						$ (420)	$ 2,207
Premiums, fees and other revenues	$ 11,881	$ 4,178	$ 1,655	$ 1,366	$ 2,484	$ 263	$ 21,827
Less: adjustments to premiums, fees and other revenues	—	80	(3)	9	43	81	210
Adjusted premiums, fees and other revenues	$ 11,881	$ 4,098	$ 1,658	$ 1,357	$ 2,441	$ 182	$ 21,617

Table of Contents

Six Months Ended June 30, 2019

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate& Other	Total
	(In millions)						
Net income (loss) available to MetLife, Inc.'s common shareholders	$ 1,614	$ 956	$ 258	$ 179	$ 677	$ (651)	$ 3,033
Add: Preferred stock dividends	—	—	—	—	—	89	89
Add: Net income (loss) attributable to noncontrolling interests	—	—	5	1	—	3	9
Net income (loss)	$ 1,614	$ 956	$ 263	$ 180	$ 677	$ (559)	$ 3,131
Less: adjustments from net income (loss) to adjusted earnings available to common shareholders:							
Revenues:							
Net investment gains (losses)	(19)	10	12	5	110	(42)	76
Net derivative gains (losses)	334	494	96	—	44	(129)	839
Premiums	—	—	—	—	—	—	—
Universal life and investment-type product policy fees	—	22	—	9	44	—	75
Net investment income	(112)	92	3	840	(63)	6	766
Other revenues	—	4	—	—	—	137	141
Expenses:							
Policyholder benefits and claims and policyholder dividends	(12)	(3)	(131)	19	(119)	3	(243)
Interest credited to policyholder account balances	9	(138)	(29)	(806)	—	—	(964)
Capitalization of DAC	—	—	—	—	—	—	—
Amortization of DAC and VOBA	—	(23)	—	2	60	—	39
Amortization of negative VOBA	—	—	—	—	—	—	—
Interest expense on debt	—	—	—	—	—	—	—
Other expenses	—	(1)	6	(25)	—	(150)	(170)
Goodwill impairment	—	—	—	—	—	—	—
Provision for income tax (expense) benefit	(42)	(216)	13	(27)	(15)	27	(260)
Adjusted earnings	$ 1,456	$ 715	$ 293	$ 163	$ 616	$ (411)	$ 2,832
Less: Preferred stock dividends						89	89
Adjusted earnings available to common shareholders						$ (500)	$ 2,743
Adjusted earnings available to common shareholders on a constant currency basis (1)	$ 1,456	$ 703	$ 246	$ 156	$ 616	$ (500)	$ 2,677
Premiums, fees and other revenues	$ 12,789	$ 4,210	$ 2,006	$ 1,337	$ 2,587	$ 354	$ 23,283
Less: adjustments to premiums, fees and other revenues	—	26	—	9	44	137	216
Adjusted premiums, fees and other revenues	$ 12,789	$ 4,184	$ 2,006	$ 1,328	$ 2,543	$ 217	$ 23,067
Adjusted premiums, fees and other revenues on a constant currency basis (1)	$ 12,789	$ 4,190	$ 1,735	$ 1,297	$ 2,543	$ 217	$ 22,771

(1) Amounts for U.S., MetLife Holdings and Corporate & Other are shown on a reported basis, as constant currency impact is not significant.

Consolidated Results —Adjusted Earnings

Business Overview. Adjusted premiums, fees and other revenues for the three months ended June 30, 2020 decreased $1.5 billion, or 13%, compared to the prior period. Adjusted premiums, fees and other revenues, net of foreign currency fluctuations, decreased $1.3 billion, or 11%, compared to the prior period, primarily due to a decrease in our U.S. segment, which includes significant impacts from the COVID-19 Pandemic and related restrictions. In addition, a decrease in our Latin America segment was mainly driven by lower annuitizations in Chile during the COVID-19 Pandemic, resulting in lower annuity sales. A decline in our Asia segment was primarily due to the disposition of MetLife Hong Kong. An increase in our EMEA segment was due to growth across the region. Our MetLife Holdings segment consists of operations relating to products and businesses, previously included in our former retail business, that we no longer actively market in the United States. We anticipate an average decline in premiums, fees and other revenues of approximately 5% per year in our MetLife Holdings segment from expected business run-off.

Three Months Ended June 30, 2020 Compared with the Three Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Overview. The primary driver of the decrease in adjusted earnings was lower investment yields. This was partially offset by higher net investment income due to a larger asset base, a decrease in expenses, including interest credited expenses, and lower DAC amortization.

Foreign Currency. Changes in foreign currency exchange rates had a $41 million negative impact on adjusted earnings for the second quarter of 2020 compared to the prior period. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. We benefited from positive net flows from many of our businesses, which increased our invested asset base. Growth in the investment portfolios of our U.S., Asia, MetLife Holdings and Latin America segments resulted in higher net investment income. However, consistent with the growth in average invested assets, interest credited expenses on certain insurance-related liabilities increased. Lower premiums, fees and other revenues, net of associated policyholder benefits, was driven by our Asia and Latin America segments. In addition, we had lower fee income in our MetLife Holdings segment. An increase in expenses was primarily due to the 2020 reinstatement of the annual health insurer fee under the Patient Protection and Affordable Care Act (“PPACA”) and was more than offset by a corresponding increase in premiums, fees and other revenues. The combined impact of the items affecting our business growth, in addition to lower DAC amortization, resulted in an $86 million increase in adjusted earnings.

Market Factors. Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Excluding the impact of changes in foreign currency exchange rates on net investment income in our non-U.S. segments and changes in inflation rates on our inflation-indexed investments, investment yields decreased. Investment yields were negatively affected by lower returns on private equity funds and real estate investments, and lower yields on fixed income securities and mortgage loans. These decreases were partially offset by higher returns on FVO Securities, and higher net investment income on derivatives. The impact of interest rate fluctuations resulted in a decrease in our average interest credited rates on deposit-type and long-duration liabilities, which drove a decrease in interest credited expenses. The changes in market factors discussed above resulted in a $739 million decrease in adjusted earnings.

Underwriting and Other Insurance Adjustments. Underwriting results, which include both positive and negative impacts from the COVID-19 Pandemic and related restrictions, resulted in a $23 million increase in adjusted earnings. This was primarily due to favorable morbidity in our U.S. and EMEA segments, as well as a decrease in non-catastrophe claims in our Property & Casualty business. These favorable results were partially offset by unfavorable mortality in our U.S. and MetLife Holdings segments and higher catastrophe-related claims in our Property & Casualty business. Refinements to DAC and certain insurance-related liabilities in both periods resulted in an $8 million decrease in adjusted earnings.

Expenses. Expenses decreased compared to the prior period, which resulted in a $141 million increase in adjusted earnings, primarily due to declines in costs associated with corporate initiatives and projects and lower employee-related costs, as well as declines in various other expenses.

Taxes. For both the three months ended June 30, 2020 and 2019, our effective tax rate on adjusted earnings was 19%. Our effective tax rate differed from the U.S. statutory rate of 21% primarily due to tax benefits from non-taxable investment income and tax credits, partially offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate.

Six Months Ended June 30, 2020 Compared with the Six Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Overview. The primary driver of the decrease in adjusted earnings was lower investment yields. This was partially offset by higher net investment income due to a larger asset base, and a decrease in expenses, including interest credited expenses.

Foreign Currency. Changes in foreign currency exchange rates had a $66 million negative impact on adjusted earnings for the first six months of 2020 compared to the prior period. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. We benefited from positive net flows from many of our businesses, which increased our invested asset base. Growth in the investment portfolios of our U.S., Asia, MetLife Holdings and Latin America segments resulted in higher net investment income. However, consistent with the growth in average invested assets, interest credited expenses on certain insurance-related liabilities increased. Lower premiums, net of associated policyholder benefits, in our Asia and Latin America segments was partially offset by an increase in our EMEA segment. In addition, lower fee income in our MetLife Holdings segment was partially offset by increases in our non-U.S. segments. An increase in expenses was primarily due to the 2020 reinstatement of the annual health insurer fee under the PPACA and was more than offset by a corresponding increase in premiums, fees and other revenues. The combined impact of the items affecting our business growth resulted in a $167 million increase in adjusted earnings.

Market Factors. Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Excluding the impact of changes in foreign currency exchange rates on net investment income in our non-U.S. segments and changes in inflation rates on our inflation-indexed investments, investment yields decreased. Investment yields were negatively affected by lower returns on private equity funds and FVO Securities, and lower yields on fixed income securities and mortgage loans. These decreases were partially offset by higher net investment income on derivatives. The impact of interest rate fluctuations resulted in a decrease in our average interest credited rates on deposit-type and long-duration liabilities, which drove a decrease in interest credited expenses. The changes in market factors discussed above resulted in a $799 million decrease in adjusted earnings.

Underwriting and Other Insurance Adjustments. Underwriting results, which include both positive and negative impacts from the COVID-19 Pandemic and related restrictions, resulted in a $29 million decrease in adjusted earnings. This was primarily due to unfavorable mortality in our U.S. and MetLife Holdings segments, higher claims and lapses in our Asia segment, and higher catastrophe-related claims in our Property & Casualty business. These unfavorable impacts were partially offset by favorable morbidity in our U.S., EMEA and MetLife Holdings segments and a decrease in non-catastrophe claims in our Property & Casualty business. Refinements to DAC and certain insurance-related liabilities in both periods resulted in a $26 million decrease in adjusted earnings, primarily in our MetLife Holdings, EMEA and U.S. segments.

Expenses. Expenses decreased compared to the prior period, which resulted in a $201 million increase in adjusted earnings, primarily due to declines in costs associated with corporate initiatives and projects and lower employee-related costs, as well as declines in various other expenses, partially offset by higher interest expense on tax positions due to prior period audit settlements.

Taxes. For the six months ended June 30, 2020, our effective tax rate on adjusted earnings was 18%. Our effective tax rate differed from the U.S. statutory rate of 21% primarily due to tax benefits from non-taxable investment income, tax credits and the finalization of bankruptcy proceedings for a leveraged lease investment, partially offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate. For the six months ended June 30, 2019, our effective tax rate on adjusted earnings was 19%. Our effective tax rate differed from the U.S. statutory rate of 21% primarily due to tax benefits from non-taxable investment income and tax credits, partially offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate.

Segment Results and Corporate & Other

U.S.

Business Overview. Adjusted premiums, fees and other revenues for the three months ended June 30, 2020 decreased $1.0 billion, or 15%, compared to the prior period, attributable to lower premiums across all of our businesses. The decrease in Retirement and Income Solutions ("RIS") was mainly driven by a decline in our pension risk transfer business, as well as decreases in our income annuity and structured settlement businesses due to market conditions. Changes in RIS premiums are mostly offset by a corresponding change in policyholder benefits. The decrease in Group Benefits was primarily due to lower dental and vision premiums, driven by the impact of an unearned premium reserve established to recognize the limited availability of services that could be provided due to the COVID-19 Pandemic restrictions, as well as the impact of premium credits we offered to our customers due to such restrictions. Partially offsetting this decrease is growth in our other core and voluntary products despite negative pressures from the economic impact of the COVID-19 Pandemic. Growth in our other core products was driven by increases in our group life and group disability businesses. Growth in our voluntary products increased across the segment, driven by the impact of new sales and growth in membership in our accident & health and legal plans businesses. The decrease in Property & Casualty was primarily driven by premium credits we offered to customers in our auto business as a result of lower miles driven due to the COVID-19 Pandemic restrictions, as well as a decrease in exposures in both the auto and home businesses.

Growth in RIS's stable value and capital market investments businesses drove an increase in policyholder account balances, resulting in higher fees and interest margins.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Adjusted revenues				
Premiums	$ 5,184	$ 6,234	$ 10,858	$ 11,801
Universal life and investment-type product policy fees	268	274	543	544
Net investment income	1,425	1,795	3,191	3,514
Other revenues	240	223	480	444
Total adjusted revenues	7,117	8,526	15,072	16,303
Adjusted expenses				
Policyholder benefits and claims and policyholder dividends	5,038	6,101	10,473	11,474
Interest credited to policyholder account balances	412	504	870	1,005
Capitalization of DAC	(122)	(127)	(234)	(241)
Amortization of DAC and VOBA	115	117	234	231
Interest expense on debt	2	3	4	5
Other expenses	1,012	1,009	2,078	2,002
Total adjusted expenses	6,457	7,607	13,425	14,476
Provision for income tax expense (benefit)	137	187	344	371
Adjusted earnings	$ 523	$ 732	$ 1,303	$ 1,456
Adjusted premiums, fees and other revenues	$ 5,692	$ 6,731	$ 11,881	$ 12,789

Three Months Ended June 30, 2020 Compared with the Three Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Growth. The impact of positive flows from pension risk transfer transactions in 2019, funding agreement issuances and structured settlements resulted in higher average invested assets, improving net investment income. However, consistent with the growth in average invested assets, interest credited expenses on long-duration and deposit-type liabilities increased. An increase in expenses was primarily due to the 2020 reinstatement of the annual health insurer fee under the PPACA and was more than offset by a corresponding increase in premiums, fees and other revenues. The combined impact of the items affecting our business growth increased adjusted earnings by $29 million.

Market Factors. Market factors, including interest rate levels, variability in equity market returns and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased, primarily driven by lower returns on private equity funds, as well as lower yields on fixed income securities and mortgage loans. The impact of interest rate fluctuations resulted in a decrease in our average interest credited rates on deposit-type and long-duration liabilities, which drove a decrease in interest credited expenses. The changes in market factors discussed above resulted in a $241 million decrease in adjusted earnings.

Underwriting and Other Insurance Adjustments. Unfavorable mortality in our Group Benefits business resulted in a decrease in adjusted earnings of $161 million. This was primarily driven by the impact of COVID-19 claims experience across our life businesses, as well as the impact of lower incidence in the prior period in our term life business, partially offset by favorable results in our accidental death & dismemberment business due to lower incidence as a result of the COVID-19 Pandemic restrictions. Favorable claims experience, coupled with the impact of growth in our Group Benefits business resulted in a $97 million increase in adjusted earnings. This increase was primarily driven by: (i) favorable dental results, driven by the impact of the COVID-19-Pandemic restrictions which limited availability of services and reduced utilization in the current period; (ii) the impact of growth and favorable claims experience in our accident & health and critical illness businesses; and (iii) favorable claims experience in our group disability business, partially offset by less favorable individual disability results. Favorable mortality in our RIS business resulted in an increase in adjusted earnings of $43 million, as favorable mortality in our pension risk transfer and institutional annuity businesses was partially offset by less favorable results in our specialized benefit resource business. In our Property & Casualty business, adjusted earnings increased $34 million due to a $71 million decrease in non-catastrophe claims costs, partially offset by a $27 million increase in catastrophe-related claims costs and the impact of adverse prior period development of $9 million. The decrease in non-catastrophe claims costs was the result of lower frequencies, primarily in our auto business, driven by the impact of lower mileage driven due to the impact of the COVID-19 Pandemic restrictions, partially offset by higher severity. Refinements to certain insurance and other liabilities in both periods resulted in an $12 million decrease in adjusted earnings.

Six Months Ended June 30, 2020 Compared with the Six Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Growth. The impact of positive flows from pension risk transfer transactions in 2019, funding agreement issuances and structured settlements resulted in higher average invested assets, improving net investment income. However, consistent with the growth in average invested assets, interest credited expenses on long-duration and deposit-type liabilities increased. Higher volume-related, premium tax and direct expenses, driven by business growth, coupled with the increase due to the 2020 reinstatement of the annual health insurer fee under the PPACA, were more than offset by a corresponding increase in premiums, fees and other revenues. The combined impact of the items affecting our business growth increased adjusted earnings by $52 million.

Market Factors. Market factors, including interest rate levels, variability in equity market returns and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased primarily driven by lower returns on private equity funds, as well as lower yields on fixed income securities and mortgage loans. The impact of interest rate fluctuations resulted in a decrease in our average interest credited rates on deposit-type and long-duration liabilities, which drove a decrease in interest credited expenses. The changes in market factors discussed above resulted in a $188 million decrease in adjusted earnings.

Underwriting and Other Insurance Adjustments. Unfavorable mortality in our Group Benefits business resulted in a decrease in adjusted earnings of $203 million. This was primarily driven by the impact of COVID-19 claims experience across our life businesses, as well as the impact of lower incidence in the prior period in our term life business, partially offset by favorable results in our accidental death & dismemberment business due to lower incidence as a result of COVID-19 Pandemic restrictions. Favorable claims experience, coupled with the impact of growth in our Group Benefits business resulted in a $108 million increase in adjusted earnings. This increase was primarily driven by: (i) the impact of growth and favorable claims experience in our accident & health and critical illness businesses; (ii) favorable dental results, driven by the impact of COVID-19 Pandemic restrictions which limited availability of services and reduced utilization in the current period; and (iii) favorable claims experience in our group disability business, partially offset by less favorable individual disability results. Favorable mortality in our RIS business resulted in an increase in adjusted earnings $43 million, as favorable mortality in our pension risk transfer and institutional annuity businesses was partially offset by less favorable results in our specialized benefit resource business. In our Property & Casualty business, adjusted earnings increased $34 million due to a $96 million decrease in non-catastrophe claims costs, partially offset by the impact of adverse prior period development of $32 million and an increase in catastrophe-related claims costs of $30 million. The decrease in non-catastrophe claims costs was the result of lower frequencies, primarily in our auto business, driven by the impact of lower mileage driven due to the impact of COVID-19 Pandemic restrictions, partially offset by higher severity. Refinements to certain insurance and other liabilities in both periods resulted in an $8 million decrease in adjusted earnings.

Asia

Business Overview. Adjusted premiums, fees and other revenues for the three months ended June 30, 2020 decreased $45 million, or 2%, compared to the prior period. Adjusted premiums, fees and other revenues, net of foreign currency fluctuations, decreased $55 million, or 3%, compared to the prior period, mainly due to the disposition of MetLife Hong Kong and a decrease in premiums from yen-denominated life products, partially offset by growth in accident & health and foreign currency-denominated life products in Japan.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Adjusted revenues				
Premiums	$ 1,584	$ 1,631	$ 3,220	$ 3,330
Universal life and investment-type product policy fees	420	419	850	825
Net investment income	767	944	1,704	1,824
Other revenues	14	13	28	29
Total adjusted revenues	2,785	3,007	5,802	6,008
Adjusted expenses				
Policyholder benefits and claims and policyholder dividends	1,255	1,279	2,576	2,598
Interest credited to policyholder account balances	447	424	892	827
Capitalization of DAC	(351)	(472)	(772)	(951)
Amortization of DAC and VOBA	284	312	599	619
Amortization of negative VOBA	(8)	(7)	(16)	(16)
Other expenses	797	955	1,671	1,910
Total adjusted expenses	2,424	2,491	4,950	4,987
Provision for income tax expense (benefit)	105	157	246	306
Adjusted earnings	$ 256	$ 359	$ 606	$ 715
Adjusted earnings on a constant currency basis	$ 256	$ 353	$ 606	$ 703
Adjusted premiums, fees and other revenues	$ 2,018	$ 2,063	$ 4,098	$ 4,184
Adjusted premiums, fees and other revenues on a constant currency basis	$ 2,018	$ 2,073	$ 4,098	$ 4,190

Three Months Ended June 30, 2020 Compared with the Three Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. Changes in foreign currency exchange rates decreased adjusted earnings by $6 million for the second quarter of 2020 compared to the prior period, primarily due to the weakening of the Australian dollar and Korean won against the U.S. dollar. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Positive net flows in Japan and Korea resulted in higher average invested assets, which improved net investment income. The increase in net investment income was partially offset by a corresponding increase in interest credited expenses on certain insurance liabilities. Asia’s premiums, fees and other revenues decreased compared to the prior period as discussed above; however, this was partially offset by a related decline in policyholder benefits. Lower commissions and other variable expenses, net of DAC capitalization, resulted in an increase to adjusted earnings. The combined impact of the items affecting our business growth improved adjusted earnings by $29 million.

Market Factors. Market factors, including interest rate levels and variability in equity market returns, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields were unfavorably impacted by lower returns from private equity funds and hedge funds, in addition to lower yields on fixed income securities supporting products denominated in U.S. dollar, Australian dollar and, to a lesser extent, Japanese yen, all sold in Japan. In addition, net investment income decreased due to the disposition of MetLife Hong Kong. The changes in market factors discussed above decreased adjusted earnings by $143 million.

Underwriting and Other Insurance Adjustments. Higher claims and lapses in Japan decreased adjusted earnings by $9 million. Refinements to certain insurance liabilities and other liabilities in both periods resulted in a $9 million increase in adjusted earnings.

Expenses. Expenses decreased by $11 million, primarily driven by lower expenses in Japan, including advertising, printing and travel costs, as well as lower corporate overhead.

Six Months Ended June 30, 2020 Compared with the Six Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. Changes in foreign currency exchange rates decreased adjusted earnings by $12 million for the first six months of 2020 compared to the prior period, primarily due to the weakening of the Australian dollar and Korean won against the U.S. dollar. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Positive net flows in Japan and Korea resulted in higher average invested assets, which improved net investment income. The increase in net investment income was partially offset by a corresponding increase in interest credited expenses on certain insurance liabilities. Asia’s premiums, fees and other revenues decreased compared to the prior period as discussed above; however, this was partially offset by a related decline in policyholder benefits. Lower commissions and other variable expenses, net of DAC capitalization, resulted in an increase to adjusted earnings. The combined impact of the items affecting our business growth improved adjusted earnings by $79 million.

Market Factors. Market factors, including interest rate levels and variability in equity market returns, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields were unfavorably impacted by lower returns from private equity funds, in addition to lower yields on fixed income securities supporting products denominated in U.S. dollar, Australian dollar and, to a lesser extent, Japanese yen, all sold in Japan. In addition, net investment income decreased due to the disposition of MetLife Hong Kong. The changes in market factors discussed above decreased adjusted earnings by $160 million.

Underwriting and Other Insurance Adjustments. Higher claims and lapses in Japan and lapses in Korea decreased adjusted earnings by $33 million. Refinements to certain insurance liabilities and other liabilities in both periods resulted in a $5 million increase in adjusted earnings.

Expenses. Expenses decreased by $6 million, primarily due to lower expenses in Japan, including advertising, printing and travel costs, partially offset by higher corporate overhead.

Latin America

Business Overview. Adjusted premiums, fees and other revenues for the three months ended June 30, 2020 decreased $327 million, or 31%, compared to the prior period. Adjusted premiums, fees and other revenues, net of foreign currency fluctuations, decreased $145 million, or 16%, compared to the prior period, mainly driven by lower annuitizations in Chile during the COVID-19 Pandemic, resulting in lower annuity sales.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Adjusted revenues				
Premiums	$ 489	$ 773	$ 1,129	$ 1,419
Universal life and investment-type product policy fees	238	280	508	564
Net investment income	260	360	478	656
Other revenues	10	11	21	23
Total adjusted revenues	997	1,424	2,136	2,662
Adjusted expenses				
Policyholder benefits and claims and policyholder dividends	449	790	1,059	1,387
Interest credited to policyholder account balances	56	86	126	180
Capitalization of DAC	(74)	(100)	(174)	(194)
Amortization of DAC and VOBA	70	79	144	157
Interest expense on debt	1	1	2	2
Other expenses	307	352	652	718
Total adjusted expenses	809	1,208	1,809	2,250
Provision for income tax expense (benefit)	56	57	100	119
Adjusted earnings	$ 132	$ 159	$ 227	$ 293
Adjusted earnings on a constant currency basis	$ 132	$ 128	$ 227	$ 246
Adjusted premiums, fees and other revenues	$ 737	$ 1,064	$ 1,658	$ 2,006
Adjusted premiums, fees and other revenues on a constant currency basis	$ 737	$ 882	$ 1,658	$ 1,735

Three Months Ended June 30, 2020 Compared with the Three Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. Changes in foreign currency exchange rates decreased adjusted earnings by $31 million for the second quarter of 2020 compared to the prior period due to the weakening of foreign currencies against the U.S. dollar, primarily the Mexican and Chilean pesos. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Despite the aforementioned decrease in annuity premiums in Chile driven by the COVID-19 Pandemic, Latin America experienced growth in Mexico and in other businesses in Chile. The decrease in premiums in Chile was partially offset by related changes in policyholder benefits. An increase in average invested assets, primarily from Chile, generated higher net investment income. In addition, policy fee income increased in our universal life business in Mexico. Although DAC capitalization decreased and commissions and other variable expenses increased, this was largely offset by decreases in interest credited expenses on certain insurance liabilities. The combined impact of the items affecting business growth resulted in a slight increase in adjusted earnings.

Market Factors. Market factors, including interest rate levels and variability in equity market returns, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields were essentially unchanged, as higher yields on FVO Securities due to the favorable impact of equity markets on our Chilean encaje were offset by lower yields on fixed income securities, as well as lower returns on private equity funds and other investments. The changes in market factors discussed above, as well as a decrease in interest credited expenses, increased adjusted earnings by $6 million.

Underwriting. The impact of claims from the COVID-19 Pandemic were more than offset by lower utilization and favorable underwriting in Mexico and Chile, which resulted in a $5 million increase to adjusted earnings.

Expenses and Taxes. Expenses were essentially unchanged, driven by a current period information technology charge, which was offset by lower expenses due to the COVID-19 Pandemic restrictions. Tax-related adjustments in both periods resulted in a net decrease in adjusted earnings of $7 million.

Six Months Ended June 30, 2020 Compared with the Six Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. Changes in foreign currency exchange rates decreased adjusted earnings by $47 million for the first six months of 2020 compared to the prior period, mainly due to the weakening of foreign currencies against the U.S. dollar, mainly the Chilean and Mexican pesos. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Despite the aforementioned decrease in annuity premiums in Chile driven by the COVID-19 Pandemic, Latin America experienced growth in Mexico and in other businesses in Chile. The decrease in premiums in Chile was partially offset by related changes in policyholder benefits. An increase in average invested assets, primarily in Chile, generated higher net investment income. In addition, policy fee income increased in our universal life business in Mexico. Although business growth in other businesses drove an increase in commissions, net of DAC capitalization, this was more than offset by decreases in interest credited expenses on certain insurance liabilities. The combined impact of the items affecting business growth, partially offset by higher DAC amortization, increased adjusted earnings by $5 million.

Market Factors. Market factors, including interest rate levels and variability in equity market returns, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased, driven by lower yields on FVO Securities, due to the unfavorable impact of equity markets on our Chilean encaje, as well as lower yields on fixed income securities and lower returns on private equity funds and derivatives. The changes in market factors discussed above, as well as a decrease in interest credited expenses, decreased adjusted earnings by $33 million.

Underwriting. The impact of claims from the COVID-19 Pandemic were more than offset by lower utilization and favorable underwriting in Mexico and Chile, which resulted in a $14 million increase to adjusted earnings.

Expenses and Taxes. A slight increase in expenses was primarily driven by a current period information technology charge, which was largely offset by lower expenses due to the COVID-19 Pandemic restrictions. Tax-related adjustments in both periods resulted in a net decrease in adjusted earnings of $3 million.

EMEA

Business Overview. Adjusted premiums, fees and other revenues for the three months ended June 30, 2020 decreased $9 million, or 1%, compared to the prior period. Adjusted premiums, fees and other revenues, net of foreign currency fluctuations, increased $11 million, or 2%, compared to the prior period due to growth across the region, mainly in our credit life business in Turkey, our employee benefits business in Egypt and U.K. and our accident & health business in Europe, partially offset by a decrease in our variable life business in the Gulf.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Adjusted revenues				
Premiums	$ 557	$ 551	$ 1,125	$ 1,093
Universal life and investment-type product policy fees	92	105	208	208
Net investment income	63	73	132	147
Other revenues	11	13	24	27
Total adjusted revenues	723	742	1,489	1,475
Adjusted expenses				
Policyholder benefits and claims and policyholder dividends	263	292	573	576
Interest credited to policyholder account balances	27	23	54	47
Capitalization of DAC	(115)	(126)	(245)	(243)
Amortization of DAC and VOBA	85	107	215	199
Amortization of negative VOBA	(2)	(3)	(4)	(4)
Other expenses	328	350	660	688
Total adjusted expenses	586	643	1,253	1,263
Provision for income tax expense (benefit)	21	22	42	49
Adjusted earnings	$ 116	$ 77	$ 194	$ 163
Adjusted earnings on a constant currency basis	$ 116	$ 73	$ 194	$ 156
Adjusted premiums, fees and other revenues	$ 660	$ 669	$ 1,357	$ 1,328
Adjusted premiums, fees and other revenues on a constant currency basis	$ 660	$ 649	$ 1,357	$ 1,297

Three Months Ended June 30, 2020 Compared with the Three Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. Changes in foreign currency exchange rates decreased adjusted earnings by $4 million for the second quarter of 2020 as compared to the prior period, primarily driven by the strengthening of the U.S. dollar against the Turkish lira, the euro, the Polish zloty, and the British pound. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Growth from our credit life business in Turkey and in our accident & health business in Europe, partially offset by a decrease in our variable life business in the Gulf, resulted in a slight increase in adjusted earnings.

Market Factors. Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results. Investment yields were lower across the region, which resulted in a $7 million decrease in adjusted earnings.

Underwriting and Other Insurance Adjustments. Adjusted earnings increased by $27 million as a result of favorable underwriting experience in (i) our employee benefits business across the region; and (ii) our accident & health business in Greece and Romania, partially offset by unfavorable underwriting in our credit life business in Turkey and our ordinary life business in France. Underwriting results include impacts of the COVID-19 Pandemic and related restrictions. Refinements to certain insurance-related assets and liabilities in both periods resulted in a $9 million increase in adjusted earnings.

Expenses. Adjusted earnings increased by $10 million, primarily due to lower expenses, including travel and advertising, as well as lower corporate overhead.

Six Months Ended June 30, 2020 Compared with the Six Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. Changes in foreign currency exchange rates decreased adjusted earnings by $7 million for the first six months of 2020 as compared to the prior period, primarily driven by the strengthening of the U.S. dollar against the Turkish lira, the euro, the Polish zloty and the British pound. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Growth across the region, mainly in our credit life business in Turkey, our accident & health business in Europe and our variable life business in the Gulf increased adjusted earnings by $12 million.

Market Factors. Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results. DAC amortization increased in our variable life business. In addition, investment yields were lower across the region. The changes in market factors discussed above resulted in a $22 million decrease in adjusted earnings.

Underwriting and Other Insurance Adjustments. Adjusted earnings increased by $18 million as a result of favorable underwriting experience in our employee benefits business across the region, partially offset by unfavorable underwriting in our credit life business in Turkey and our ordinary life business in France. Underwriting results include impacts of the COVID-19 Pandemic and related restrictions. Refinements to certain insurance-related assets and liabilities in both periods resulted in a $10 million decrease in adjusted earnings.

Expenses and Taxes. Adjusted earnings increased by $34 million, mainly driven by lower compensation-related expenses, lower costs associated with enterprise-wide initiatives, and various other expense decreases. Tax-related adjustments in both periods increased adjusted earnings by $6 million, primarily due to the prior period revision to a tax asset in Greece.

MetLife Holdings

Business Overview. Our MetLife Holdings segment consists of operations relating to products and businesses, previously included in our former retail business, that we no longer actively market in the United States. We anticipate an average decline in premiums, fees and other revenues of approximately 5% per year from expected business run-off. A significant portion of our adjusted earnings is driven by separate account balances. Most directly, these balances determine asset-based fee income but they also impact DAC amortization and asset-based commissions. Separate account balances are driven by movements in the market, surrenders, deposits, withdrawals, benefit payments, transfers and policy charges. Although we have discontinued selling our long-term care product, we continue to collect premiums and administer the existing block of business, which contributed to asset growth in the segment, and we expect the related reserves to grow as this block matures.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Adjusted revenues				
Premiums	$ 889	$ 924	$ 1,793	$ 1,851
Universal life and investment-type product policy fees	249	286	543	560
Net investment income	981	1,338	2,296	2,625
Other revenues	70	65	105	132
Total adjusted revenues	2,189	2,613	4,737	5,168
Adjusted expenses				
Policyholder benefits and claims and policyholder dividends	1,705	1,703	3,366	3,351
Interest credited to policyholder account balances	219	227	437	453
Capitalization of DAC	(5)	(8)	(10)	(14)
Amortization of DAC and VOBA	11	80	111	143
Interest expense on debt	1	2	3	4
Other expenses	239	237	467	464
Total adjusted expenses	2,170	2,241	4,374	4,401
Provision for income tax expense (benefit)	(1)	73	66	151
Adjusted earnings	$ 20	$ 299	$ 297	$ 616
Adjusted premiums, fees and other revenues	$ 1,208	$ 1,275	$ 2,441	$ 2,543

Three Months Ended June 30, 2020 Compared with the Three Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Growth. Negative net flows from our deferred annuities business and a decrease in universal life deposits resulted in lower fee income. This decrease was offset by higher net investment income, resulting from a higher invested asset base, as well as lower DAC amortization. The higher invested asset base was primarily the result of positive net flows in our long-term care business. The combined impact of the items affecting our business growth offset each other and resulted in essentially no change to adjusted earnings.

Market Factors. Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased primarily due to lower returns on private equity funds, as well as lower yields on fixed income securities and mortgage loans. These decreases were partially offset by higher net investment income on derivatives, as well as lower DAC amortization. The changes in market factors discussed above resulted in a $251 million decrease in adjusted earnings.

Underwriting and Other Insurance Adjustments. Unfavorable underwriting, primarily in our traditional life business, which includes impacts from the COVID-19 Pandemic, decreased adjusted earnings by $21 million. Refinements to DAC in the prior period resulted in a $13 million decrease in adjusted earnings. Run-off of our closed block, as well as a reduction in our dividend scale as a result of the sustained low interest rate environment, contributed to lower dividend expense and resulted in a $9 million increase in adjusted earnings. The impact of this dividend action was more than offset by lower net investment income.

Six Months Ended June 30, 2020 Compared with the Six Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Growth. Negative net flows from our deferred annuities business and a decrease in universal life deposits resulted in lower fee income. This decrease was partially offset by higher net investment income, resulting from a higher invested asset base, as well as lower DAC amortization. The higher invested asset base was primarily the result of positive net flows in our long-term care business. The combined impact of the items affecting our business growth resulted in a $25 million decrease in adjusted earnings.

Market Factors. Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased primarily due to lower returns on private equity funds, as well as lower yields on fixed income securities and mortgage loans. These decreases were partially offset by higher net investment income on derivatives. In our deferred annuity business, higher costs associated with our variable annuity guaranteed minimum death benefits ("GMDBs") resulted in a decrease in adjusted earnings. These unfavorable earnings impacts were partially offset by an increase in asset-based fee income and lower DAC amortization. The changes in market factors discussed above resulted in a $267 million decrease in adjusted earnings.

Underwriting and Other Insurance Adjustments. Unfavorable underwriting in our traditional life and universal life businesses was partially offset by favorable underwriting in our long-term care business resulting in a $20 million decrease in adjusted earnings, which includes impacts from the COVID-19 Pandemic. Refinements to DAC in the prior period resulted in a $13 million decrease in adjusted earnings. Run-off of our closed block, as well as a reduction in our dividend scale as a result of the sustained low interest rate environment, contributed to lower dividend expense and resulted in a $12 million increase in adjusted earnings. The impact of this dividend action was more than offset by lower net investment income.

Corporate & Other

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Adjusted revenues				
Premiums	$ 13	$ 16	$ 25	$ 40
Universal life and investment-type product policy fees	1	—	1	1
Net investment income	(52)	44	(36)	69
Other revenues	72	82	156	176
Total adjusted revenues	34	142	146	286
Adjusted expenses				
Policyholder benefits and claims and policyholder dividends	3	18	29	38
Capitalization of DAC	(2)	(4)	(5)	(6)
Amortization of DAC and VOBA	3	2	4	3
Interest expense on debt	228	268	445	497
Other expenses	134	289	270	511
Total adjusted expenses	366	573	743	1,043
Provision for income tax expense (benefit)	(120)	(181)	(286)	(346)
Adjusted earnings	(212)	(250)	(311)	(411)
Less: Preferred stock dividends	77	57	109	89
Adjusted earnings available to common shareholders	$ (289)	$ (307)	$ (420)	$ (500)
Adjusted premiums, fees and other revenues	$ 86	$ 98	$ 182	$ 217

The table below presents adjusted earnings available to common shareholders by source:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Business activities	$ 12	$ 12	$ 30	$ 25
Net investment income	(50)	46	(33)	75
Interest expense on debt	(238)	(280)	(467)	(519)
Corporate initiatives and projects	(25)	(117)	(56)	(217)
Other	(31)	(92)	(71)	(121)
Provision for income tax (expense) benefit and other tax-related items	120	181	286	346
Preferred stock dividends	(77)	(57)	(109)	(89)
Adjusted earnings available to common shareholders	$ (289)	$ (307)	$ (420)	$ (500)

Three Months Ended June 30, 2020 Compared with the Three Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Net Investment Income. Net investment income declined $76 million, primarily due to decreased returns on our equity market sensitive investments, including private equity funds, as well as lower yields on our fixed income securities and lower returns on real estate investments.

Interest Expense on Debt. Interest expense on debt decreased by $33 million, primarily due to the excess premium associated with redeemed debt in the prior period, partially offset by the issuance of senior notes at lower rates in March 2020 and May 2019.

Corporate Initiatives and Projects. Adjusted earnings increased $73 million due to lower expenses associated with corporate initiatives and projects, primarily due to prior period costs related to our unit cost initiative.

Provision for Income Tax (Expense) Benefit and Other Tax-Related Items. An unfavorable change in Corporate & Other's effective tax rate was primarily due to lower utilization of tax preferenced items, which include non-taxable investment income and tax credits.

Other. Adjusted earnings increased $48 million, primarily as a result of lower employee-related costs, a prior period loss related to the sale of a run-off business that was previously reinsured, as well as decreases in certain corporate-related expenses, partially offset by higher legal expenses.

Preferred Stock Dividends. Adjusted earnings available to common shareholders decreased $20 million as a result of the dividends paid on 4.75% Non-Cumulative Preferred Stock, Series F (the "Series F preferred stock") we issued in January 2020.

Six Months Ended June 30, 2020 Compared with the Six Months Ended June 30, 2019

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Activities. Adjusted earnings from business activities increased $4 million. This was primarily related to improved results from certain of our businesses.

Net Investment Income. Net investment income declined $85 million, primarily due to decreased returns on our equity market sensitive investments, including private equity funds, as well as lower yields on our fixed income securities.

Interest Expense on Debt. Interest expense on debt decreased by $41 million, primarily due to the excess premium associated with redeemed debt in the prior period, partially offset by the issuance of senior notes at lower interest rates in March 2020 and May 2019.

Corporate Initiatives and Projects. Adjusted earnings increased $127 million due to lower expenses associated with corporate initiatives and projects, primarily due to prior period costs related to our unit cost initiative.

Provision for Income Tax (Expense) Benefit and Other Tax-Related Items. An unfavorable change in Corporate & Other's effective tax rate was primarily due to lower utilization of tax preferenced items, which include non-taxable investment income, tax credits, and taxes on stock compensation, partially offset by the finalization of bankruptcy proceedings for a leveraged lease investment.

Other. Adjusted earnings increased $40 million, primarily as a result of lower employee-related costs, a prior period loss related to the sale of a run-off business that was previously reinsured, as well as decreases in certain corporate-related expenses, partially offset by higher interest expenses on tax positions due to prior period audit settlements and higher legal expenses.

Preferred Stock Dividends. Adjusted earnings available to common shareholders decreased $20 million as a result of dividends paid on the Series F preferred stock we issued in January 2020.

Investments

Investment Risks

Our primary investment objective is to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that assets and liabilities are managed on a cash flow and duration basis. The Investments Department, led by the Chief Investment Officer, manages investment risks using a risk control framework comprised of policies, procedures and limits. The Investment Risk Committee and Asset-Liability Steering Committee review and monitors investment risk limits and tolerances. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Investment Risks” included in the 2019 Annual Report for an explanation of investment risks and our risk control framework.

Current Environment

As a global insurance company, we continue to be impacted by the changing global financial and economic environment, the fiscal and monetary policy of central banks around the world and government measures. The COVID-19 Pandemic continues to impact the global economy and financial markets and has caused volatility in the global equity, credit and real estate markets. See “— Industry Trends — Financial and Economic Environment.”

Governments and central banks around the world are responding to the COVID-19 Pandemic with unprecedented fiscal and monetary policies, which are expected to have significant and ongoing effects on financial markets and the global economy. These policy responses include fiscal and monetary stimulus measures, including, but not limited to, financial assistance, liquidity programs, new financing facilities and reductions in the level of interest rates to near zero, zero and, in some markets, negative. As time progresses, we will know more about the efficacy of these policies and what they may mean for the outlook for the global economy and financial markets, but currently there are too many factors to reliably estimate the duration and severity of the impact of the COVID-19 Pandemic to adequately determine its impacts on our business operations, investment portfolio and derivatives.

As a result of the impact of the COVID-19 Pandemic on the global economy and the markets, during the six months ended June 30, 2020, there was an economic slowdown and volatility in the financial markets, including liquidity driven price dislocation and credit spread widening. As a result, during the six months ended June 30, 2020, the value of certain investments within our portfolio decreased; however, some of those effects were mitigated by an increase in the value of certain freestanding derivatives that hedge such market risks. These conditions may persist for some time and may continue to impact pricing levels of risk-bearing investments, as well as our business operations, investment portfolio and derivatives.

Selected Country and Sector Investments

Selected Country: We have a market presence in numerous countries and, therefore, our investment portfolio, which supports our insurance operations and related policyholder liabilities, as well as our global portfolio diversification objectives, is exposed to risks posed by local political and economic conditions, as well as those resulting from the COVID-19 Pandemic. Our investment portfolio in the following Non-U.S. countries are currently the most affected by these conditions. The following table presents a summary of selected country fixed maturity securities AFS, at estimated fair value. The information below is presented on a "country of risk basis" (e.g. where the issuer primarily conducts business).

	Selected Country Fixed Maturity Securities AFS at June 30, 2020				
	Sovereign (1)	Financial Services	Non-Financial Services	Structured	Total (2)
	(Dollars in millions)				
United Kingdom	$ 25	$ 5,406	$ 11,848	$ 117	$ 17,396
Mexico	2,229	830	1,997	35	5,091
China	267	2	461	—	730
Italy	39	75	588	—	702
Hong Kong SAR	222	3	24	—	249
Turkey	166	—	11	19	196
Argentina (3)	39	26	51	—	116
Lebanon (3)	—	—	—	—	—
Total	$ 2,987	$ 6,342	$ 14,980	$ 171	$ 24,480
Investment grade %	81.6%	99.1%	94.1%	82.8%	93.8%

____

(1) Sovereign includes government and agency.

(2) The par value, amortized cost net of ACL, and estimated fair value net of purchased credit default swaps of these selected country fixed maturity securities AFS were $22.1 billion, $23.3 billion and $24.1 billion, respectively, at June 30, 2020. The notional value and estimated fair value of the purchased credit default swaps were $393 million and $8 million, respectively, at June 30, 2020.

(3) The sovereign securities amounts for Argentina and Lebanon were net of ACL of $108 million and $21 million, respectively, at June 30, 2020. See "—Investment Allowance for Credit Loss and Impairments - Overview."

Selected Sector: As a result of current economic conditions including the effects on the global economy and financial markets from the COVID-19 Pandemic, certain sectors of our investment portfolio experienced stress during the six months ended June 30, 2020. Our fixed maturities securities AFS exposure to stressed sectors is summarized below:

	Selected Sectors at June 30, 2020		
Sectors	Book Value (1)	Investment Grade %	% of Total Investments
	(Dollars in millions)		
Energy	$ 8,175	85%	1.5%
Airports	3,511	89%	0.7%
Cruise Lines / Leisure	581	86%	0.1%
Airlines	546	66%	0.1%
Restaurants	378	89%	0.1%
Lodging	305	58%	0.1%
Fixed Maturity Securities AFS Exposure to Stressed Sectors (2)	$ 13,496		2.6%
Total Investments (3)	$ 519,233		

____

(1) Fixed maturity securities AFS at amortized cost, net of ACL.

(2) The estimated fair value of these fixed maturity securities AFS was $14.1 billion at June 30, 2020.

(3) Represents total cash, cash equivalents and invested assets.

We maintain a diversified energy sector fixed maturity securities AFS portfolio across sub-sectors and issuers. This portfolio is primarily invested in higher quality, highly rated investment grade securities and is defensively positioned in sub-sectors which are less impacted by low oil prices. During the six months ended June 30, 2020, we reduced our exposure to such securities by 11%. Through our energy sector securities, we have exposure to the volatility in, and current low level of oil prices, largely as a result of the COVID-19 Pandemic. As a result, this securities portfolio decreased in value during the six months ended June 30, 2020, from an unrealized gain at December 31, 2019 of $849 million to an unrealized gain of $519 million at June 30, 2020.

In addition to the above information, we have included additional disclosures later in this section for asset types within our investment portfolio that may be impacted by the COVID-19 Pandemic, including fixed maturity securities AFS, including below investment grade securities and structured products, equity securities, Unit-linked investments, FVO Securities, mortgage loans, real estate and real estate joint ventures, private equity funds, hedge funds and our lease investments. See also "— Executive Summary — Consolidated Company Outlook."

We manage direct and indirect investment exposure in the selected countries, sectors and asset types through fundamental analysis and we continually monitor and adjust our level of investment exposure.

Investment Allowance for Credit Loss and Impairments - Overview

On January 1, 2020, we adopted the new expected credit loss guidance. See "— Summary of Critical Accounting Estimates — Investment Allowance for Credit Loss and Impairments." For our mortgage loans and leveraged and direct financing leases, this new guidance requires that we incorporate the impact of both current and forecasted economic conditions and estimate lifetime expected credit loss in determining the ACL. Upon adoption of this new guidance, our ACL reflected the then current and forecasted economic conditions and our estimate of lifetime expected credit loss. Subsequently, we incorporated the effects of the COVID-19 Pandemic into our economic forecast, using available information, to reflect our best estimate, in determining the level of our ACL for mortgage loans and leveraged and direct financing leases.

Upon adoption of the new expected credit loss guidance, we increased our mortgage loan and lease ACL and liability for unfunded mortgage loan commitments by $141 million, or 40%. During the six months ended June 30, 2020, we increased our mortgage loan and lease ACL and liability for unfunded mortgage loan commitments by another $138 million, or 39%. Our mortgage loan and lease ACL and liability for unfunded mortgage loan commitments totaled $632 million at June 30, 2020, an increase of 79% from December 31, 2019.

During the six months ended June 30, 2020, we recorded an ACL for our fixed maturity securities AFS of $177 million. As a result, our total investments-related ACL and liability for unfunded mortgage loan commitments totaled $809 million at June 30, 2020. During the six months ended June 30, 2020, we recorded a charge for provisions for credit loss and impairments of $363 million.

The determination of the amount of our ACL and impairments on our investment portfolio is highly subjective. Our ACL is revised as conditions change and new information becomes available. Provisions for credit loss and impairments recognized in future quarters on our investment portfolio will depend primarily on future economic fundamentals, including the evolving impact of the COVID-19 Pandemic, performance of our issuers, borrowers, tenants and lessees, changes in credit ratings, collateral valuation and changes in estimated fair value. In upcoming periods, if there are changes in the above factors, provisions for credit loss and impairments may be recorded, as well as changes in the ACL for which a provision for credit loss was previously recorded.

Table of Contents

Investment Portfolio Results

The reconciliation of net investment income under GAAP to adjusted net investment income is presented below.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Net investment income — GAAP basis	$ 4,087	$ 4,693	$ 7,148	$ 9,601
Investment hedge adjustments	188	118	326	223
Unit-linked contract income	(818)	(261)	322	(997)
Other	(13)	4	(31)	8
Adjusted net investment income (1)	$ 3,444	$ 4,554	$ 7,765	$ 8,835

____

(1) See "Financial Measures and Segment Accounting Policies" in Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for a discussion of the adjustments made to net investment income under GAAP in calculating adjusted net investment income.

The following yield table presentation is consistent with how we measure our investment performance for management purposes, and we believe it enhances understanding of our investment portfolio results.

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2020		2019		2020		2019	
	Yield % (1)	Amount	Yield % (1)	Amount	Yield % (1)	Amount	Yield % (1)	Amount
	(Dollars in millions)							
Fixed maturity securities AFS (2), (3)	3.99 %	$ 2,885	4.30 %	$ 2,975	3.91 %	$ 5,624	4.27 %	$ 5,877
Mortgage loans (3)	4.20 %	862	4.82 %	943	4.28 %	1,746	4.77 %	1,855
Real estate and real estate joint ventures	0.62 %	18	3.62 %	92	1.76 %	99	2.84 %	142
Policy loans	5.15 %	124	5.34 %	129	5.19 %	250	5.31 %	257
Equity securities	4.12 %	11	5.15 %	16	4.77 %	25	5.29 %	32
Other limited partnership interests (4)	(30.23) %	(605)	14.28 %	247	(7.06) %	(282)	10.99 %	374
Cash and short-term investments	1.35 %	38	2.39 %	65	1.53 %	82	2.73 %	144
Other invested assets		247		225		513		428
Investment income	3.40 %	3,580	4.66 %	4,692	3.84 %	8,057	4.55 %	9,109
Investment fees and expenses	(0.12) %	(122)	(0.14) %	(138)	(0.12) %	(256)	(0.14) %	(274)
Net investment income including divested businesses (5)	3.28 %	3,458	4.52 %	4,554	3.72 %	7,801	4.41 %	8,835
Less: net investment income from divested businesses (5)		14		—		36		—
Adjusted net investment income		$ 3,444		$ 4,554		$ 7,765		$ 8,835

____

(1) We calculate yields using average quarterly asset carrying values. Yields exclude recognized gains (losses) and include the impact of changes in foreign currency exchange rates. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, annuities funding structured settlement claims, freestanding derivative assets, collateral received from derivative counterparties, the effects of consolidating under GAAP certain variable interest entities that are treated as consolidated securitization entities ("CSEs") and contractholder-directed equity securities. A yield is not presented for other invested assets, as it is not considered a meaningful measure of performance for this asset class.

(2) Investment income from fixed maturity securities AFS includes amounts from FVO Securities of $114 million and $36 million for the three months and six months ended June 30, 2020, respectively, and $38 million and $93 million for the three months and six months ended June 30, 2019, respectively.

(3) Investment income from fixed maturity securities AFS and mortgage loans includes prepayment fees.

(4) See "— Other Limited Partnership Interests" for discussion of results for the three months ended June 30, 2020.

(5) See "Financial Measures and Segment Accounting Policies" in Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for discussion of divested businesses.

See "— Results of Operations — Consolidated Results — Adjusted Earnings" for an analysis of the period over period changes in investment portfolio results.

Fixed Maturity Securities AFS and Equity Securities

The following table presents fixed maturity securities AFS and equity securities by type (public or private) and information about perpetual and redeemable securities held at:

	June 30, 2020		December 31, 2019	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)			
Fixed maturity securities AFS				
Publicly-traded	$ 276,306	81.3 %	$ 267,617	81.6 %
Privately-placed	63,699	18.7	60,203	18.4
Total fixed maturity securities AFS	$ 340,005	100.0 %	$ 327,820	100.0 %
Percentage of cash and invested assets	65.5%		66.8%	
Equity securities				
Publicly-traded	$ 920	83.3 %	$ 1,156	86.1 %
Privately-held	185	16.7	186	13.9
Total equity securities	$ 1,105	100.0 %	$ 1,342	100.0 %
Percentage of cash and invested assets	0.2%		0.3%	
Perpetual and redeemable securities				
Perpetual securities included within fixed maturity securities AFS and equity securities	$ 355		$ 363	
Redeemable preferred stock with a stated maturity included within fixed maturity securities AFS	$ 496		$ 960	

Included within fixed maturity securities AFS are structured securities, including residential mortgage-backed securities ("RMBS"), asset-backed securities ("ABS") and commercial mortgage-backed securities ("CMBS") (collectively, "Structured Products").

Perpetual securities are included within fixed maturity securities AFS and equity securities. Upon acquisition, we classify perpetual securities that have attributes of both debt and equity as fixed maturity securities AFS if the securities have an interest rate step-up feature which, when combined with other qualitative factors, indicates that the securities have more debt-like characteristics; while those with more equity-like characteristics are classified as equity securities. Many of such securities, commonly referred to as "perpetual hybrid securities," have been issued by non-U.S. financial institutions that are accorded the highest two capital treatment categories by their respective regulatory bodies (i.e. core capital, or "Tier 1 capital," and perpetual deferrable securities, or "Upper Tier 2 capital").

Redeemable preferred stock with a stated maturity is included within fixed maturity securities AFS. These securities, which are commonly referred to as "capital securities," primarily have cumulative interest deferral features and are primarily issued by U.S. financial institutions.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity Securities AFS and Equity Securities — Valuation of Securities" included in the 2019 Annual Report for further information on the processes used to value securities and the related controls.

The COVID-19 Pandemic contributed to financial market volatility, credit spread widening and equity market declines during the six months ended June 30, 2020. Central banks around the world have responded with unprecedented fiscal and monetary policies, including reductions in the level of interest rates to near zero, zero and, in some markets, negative. See "— Current Environment." As a result of the interest rate reductions, partially offset by credit spread widening, during the six months ended June 30, 2020, the net unrealized gain on our fixed maturity securities AFS increased $7.2 billion, from $30.1 billion at December 31, 2019 to $37.3 billion at June 30, 2020. As a result of the equity market declines during the six months ended June 30, 2020, the value of our equity securities decreased, resulting in a mark-to-market loss of $223 million in net investment gains (losses), as the change in estimated fair value on these securities is recorded in net income.

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about fixed maturity securities AFS by sector, contractual maturities and continuous gross unrealized losses.

Fair Value of Fixed Maturity Securities AFS and Equity Securities

Fixed maturity securities AFS and equity securities measured at estimated fair value on a recurring basis and their corresponding fair value pricing sources are as follows:

	June 30, 2020			
	Fixed Maturity Securities AFS		Equity Securities	
	(Dollars in millions)			
Level 1				
Quoted prices in active markets for identical assets	$ 22,551	6.6 %	$ 556	50.3 %
Level 2				
Independent pricing sources	290,220	85.4	138	12.5
Internal matrix pricing or discounted cash flow techniques	1,068	0.3	38	3.4
Significant other observable inputs	291,288	85.7	176	15.9
Level 3				
Independent pricing sources	21,227	6.2	234	21.2
Internal matrix pricing or discounted cash flow techniques	4,393	1.3	139	12.6
Independent broker quotations	546	0.2	—	—
Significant unobservable inputs	26,166	7.7	373	33.8
Total estimated fair value	$ 340,005	100.0 %	$ 1,105	100.0 %

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for the fixed maturity securities AFS and equity securities fair value hierarchy.

The majority of the Level 3 fixed maturity securities AFS and equity securities were concentrated in three sectors at June 30, 2020: foreign corporate securities, U.S. corporate securities and RMBS. During the three months ended June 30, 2020, Level 3 fixed maturity securities AFS increased by $2.2 billion, or 9%. The increase was driven by purchases in excess of sales and by an increase in estimated fair value recognized in other comprehensive income (loss) ("OCI"), partially offset by transfers out of Level 3 in excess of transfers into Level 3. During the six months ended June 30, 2020, Level 3 fixed maturity securities AFS increased by $7.4 billion, or 39%. The increase was driven by transfers into Level 3 in excess of transfers out of Level 3 and purchases in excess of sales, partially offset by a decrease in estimated fair value recognized in OCI. The increase in transfers into Level 3 for the six months ended June 30, 2020, in part, was from market conditions including decreased liquidity, decreased transparency of valuations and an increased use of unobservable inputs, principally for U.S. and foreign corporate securities.

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs, transfers into and/or out of Level 3, and further information about the valuation approaches and inputs by level by major classes of invested assets that affect the amounts reported above. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity Securities AFS and Equity Securities — Valuation of Securities" included in the 2019 Annual Report for further information on the estimates and assumptions that affect the amounts reported above.

Fixed Maturity Securities AFS Credit Quality — Ratings

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity Securities AFS and Equity Securities — Fixed Maturity Securities AFS Credit Quality — Ratings" included in the 2019 Annual Report for a discussion of the credit quality ratings assigned by Nationally Recognized Statistical Rating Organizations ("NRSRO"), credit quality designations assigned by and methodologies used by the Securities Valuation Office of the NAIC for fixed maturity securities AFS and revised methodologies adopted by the NAIC for certain Structured Products.

The following table presents total fixed maturity securities AFS by NRSRO rating and the applicable NAIC designation from the NAIC published comparison of NRSRO ratings to NAIC designations, except for non-agency RMBS and CMBS, held by MetLife, Inc.'s insurance subsidiaries that maintain the NAIC statutory basis of accounting, which are presented using revised NAIC methodologies. NRSRO ratings are as of the dates shown below. Over time, credit ratings can migrate, up or down, through the NRSRO continuous monitoring process. As of June 30, 2020, securities are presented net of ACL, reflecting the adoption of new guidance on January 1, 2020 regarding expected credit loss. As of December 31, 2019, securities are presented at amortized cost in accordance with prior guidance. See Notes 1 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information.

		June 30, 2020				December 31, 2019			
NAIC Designation	NRSRO Rating	Amortized Cost net of ACL	Unrealized Gain (Loss)	Estimated Fair Value	% of Total	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
		(Dollars in millions)							
1	Aaa/Aa/A	$ 213,386	$ 30,259	$ 243,645	71.7 %	$ 207,742	$ 22,966	$ 230,708	70.4 %
2	Baa	73,431	7,283	80,714	23.7	74,568	6,857	81,425	24.8
	Subtotal investment grade	286,817	37,542	324,359	95.4	282,310	29,823	312,133	95.2
3	Ba	11,226	24	11,250	3.3	11,210	442	11,652	3.6
4	B	3,838	(184)	3,654	1.1	3,297	40	3,337	1.0
5	Caa and lower	717	(77)	640	0.2	832	(139)	693	0.2
6	In or near default	98	4	102	—	6	(1)	5	—
	Subtotal below investment grade	15,879	(233)	15,646	4.6	15,345	342	15,687	4.8
	Total fixed maturity securities AFS	$ 302,696	$ 37,309	$ 340,005	100.0 %	$ 297,655	$ 30,165	$ 327,820	100.0 %

As a result of current economic conditions, including the effects of the COVID-19 Pandemic which caused increased concerns over more highly leveraged issuers and downgrade risk, our below investment grade securities decreased in value during the six months ended June 30, 2020, from an unrealized gain position at December 31, 2019 of $342 million to an unrealized loss position of $233 million at June 30, 2020. Foreign government securities, acquired to support our local insurance operations and related policyholder liabilities, represented $3.2 billion, or 21% of our $15.6 billion below investment grade securities, at estimated fair value, at June 30, 2020. U.S. corporate and foreign corporate securities comprise the vast majority of the remaining below investment grade securities. We have been actively repositioning our corporate below investment grade portfolios, including our syndicated bank loan portfolio, into higher quality, higher rated securities and with an increased allocation to privately-placed securities that include covenant protections.

The following tables present total fixed maturity securities AFS, based on estimated fair value, by sector classification and by NRSRO rating and the applicable NAIC designations from the NAIC published comparison of NRSRO ratings to NAIC designations, except for non-agency RMBS and CMBS, which are presented using the revised NAIC methodologies:

	Fixed Maturity Securities AFS — by Sector & Credit Quality Rating						
NAIC Designation:	1	2	3	4	5	6	Total Estimated Fair Value
NRSRO Rating:	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default	
	(Dollars in millions)						
June 30, 2020							
U.S. corporate	$ 44,866	$ 37,580	$ 4,869	$ 2,360	$ 436	$ 1	$ 90,112
Foreign government	56,438	6,055	2,608	381	128	96	65,706
Foreign corporate	24,724	34,013	3,311	702	67	—	62,817
U.S. government and agency	46,727	560	—	—	—	—	47,287
RMBS	31,101	527	165	71	7	4	31,875
ABS	14,787	1,285	208	41	2	1	16,324
Municipals	14,030	559	22	—	—	—	14,611
CMBS	10,972	135	67	99	—	—	11,273
Total fixed maturity securities AFS	$ 243,645	$ 80,714	$ 11,250	$ 3,654	$ 640	$ 102	$ 340,005
Percentage of total	71.7%	23.7%	3.3%	1.1%	0.2%	—%	100.0%
December 31, 2019							
U.S. corporate	$ 41,504	$ 37,915	$ 5,760	$ 2,199	$ 374	$ 1	$ 87,753
Foreign government	58,325	5,866	2,383	392	263	—	67,229
Foreign corporate	26,078	34,674	2,810	556	47	—	64,165
U.S. government and agency	41,577	507	—	—	—	—	42,084
RMBS	27,957	403	102	75	7	3	28,547
ABS	12,727	1,339	448	25	2	1	14,542
Municipals	12,397	624	32	—	—	—	13,053
CMBS	10,143	97	117	90	—	—	10,447
Total fixed maturity securities AFS	$ 230,708	$ 81,425	$ 11,652	$ 3,337	$ 693	$ 5	$ 327,820
Percentage of total	70.4%	24.8%	3.6%	1.0%	0.2%	—%	100.0%

U.S. and Foreign Corporate Fixed Maturity Securities AFS

We maintain a diversified portfolio of corporate fixed maturity securities AFS across industries and issuers. This portfolio did not have any exposure to any single issuer in excess of 1% of total investments at June 30, 2020. The top 10 holdings comprised 2% of total investments at both June 30, 2020 and December 31, 2019. The tables below present our U.S. and foreign corporate securities holdings by industry at:

	June 30, 2020		December 31, 2019	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)			
Industrial	$ 45,179	29.5%	$ 46,018	30.3%
Finance	35,098	23.0	34,776	22.9
Consumer	31,175	20.4	31,952	21.0
Utility	27,816	18.2	25,763	17.0
Communications	11,612	7.6	11,471	7.5
Other	2,049	1.3	1,938	1.3
Total	$ 152,929	100.0%	$ 151,918	100.0%

As a result of current economic conditions, including the effects of the COVID-19 Pandemic, we have experienced stress within certain sub-sectors of our industrial and consumer corporate securities portfolios, principally in Energy, Airports, Airlines, Cruise Lines / Leisure, Restaurants and Lodging. See "— Current Environment — Selected Country and Sector Investments."

Structured Products

We held $59.5 billion and $53.5 billion of Structured Products, at estimated fair value, at June 30, 2020 and December 31, 2019, respectively, as presented in the RMBS, ABS and CMBS sections below.

RMBS

Our RMBS portfolio is diversified by security type and risk profile. The following table presents our RMBS portfolio by security type, risk profile and ratings profile at:

	June 30, 2020			December 31, 2019		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
	(Dollars in millions)					
By security type:						
Collateralized mortgage obligations	$ 17,578	55.1%	$ 1,290	$ 16,315	57.2%	$ 1,185
Pass-through mortgage-backed securities	14,297	44.9	624	12,232	42.8	311
Total RMBS	$ 31,875	100.0%	$ 1,914	$ 28,547	100.0%	$ 1,496
By risk profile:						
Agency	$ 21,848	68.6%	$ 1,468	$ 19,563	68.5%	$ 797
Prime	1,855	5.8	19	1,142	4.0	48
Alt-A	3,734	11.7	220	3,323	11.7	347
Sub-prime	4,438	13.9	207	4,519	15.8	304
Total RMBS	$ 31,875	100.0%	$ 1,914	$ 28,547	100.0%	$ 1,496
Ratings profile:						
Rated Aaa/AAA	$ 24,108	75.6%		$ 21,122	74.0%	
Designated NAIC 1	$ 31,101	97.6%		$ 27,957	97.9%	

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity Securities AFS and Equity Securities — Structured Products — RMBS" included in the 2019 Annual Report for further information about collateralized mortgage obligations and pass-through mortgage-backed securities, as well as agency, prime, alternative ("Alt-A") and sub-prime RMBS.

Our RMBS holdings were comprised of 69% Agency securities that were all designated NAIC 1 and 31% of non-agency securities, of which 96% were designated NAIC 1, at June 30, 2020. As result of concerns about general economic conditions, including increased unemployment levels as result of the COVID-19 Pandemic, the unrealized gain on our non-agency RMBS holdings decreased during the six months ended June 30, 2020, from an unrealized gain of $699 million at December 31, 2019 to an unrealized gain of $446 million at June 30, 2020. Our non-agency RMBS portfolio is defensively positioned with most of the portfolio concentrated in senior tranches with strong structural protections including credit enhancement in the form of capital structure subordination that is available to absorb losses before they impact the securities we own.

Historically, we have managed our exposure to sub-prime RMBS holdings by focusing primarily on senior tranche securities, stress testing the portfolio with severe loss assumptions and closely monitoring the performance of the portfolio. Our sub-prime RMBS portfolio consists predominantly of securities that were purchased after 2012 at significant discounts to par value and discounts to the expected principal recovery value of these securities. The vast majority of these securities are investment grade under the NAIC designations (e.g., NAIC 1 and NAIC 2).

ABS

Our ABS portfolio is diversified by collateral type and issuer. The following table presents our ABS portfolio by collateral type and ratings profile at:

	June 30, 2020			December 31, 2019		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
	(Dollars in millions)					
By collateral type:						
Collateralized obligations (1)	$ 8,515	52.2%	$ (282)	$ 7,974	54.8%	$ (54)
Student loans	1,298	8.0	(38)	1,350	9.3	(5)
Consumer loans	1,349	8.3	(24)	1,181	8.1	9
Foreign residential loans	975	6.0	10	1,088	7.5	14
Automobile loans	1,264	7.7	13	813	5.6	7
Credit card loans	939	5.7	15	454	3.1	4
Other loans	1,984	12.1	27	1,682	11.6	20
Total	$ 16,324	100.0%	$ (279)	$ 14,542	100.0%	$ (5)
Ratings profile:						
Rated Aaa/AAA	$ 9,520	58.3%		$ 7,711	53.0%	
Designated NAIC 1	$ 14,787	90.6%		$ 12,727	87.5%	

(1) Includes primarily collateralized loan obligations.

As a result of current economic conditions, including the effects of the COVID-19 Pandemic, causing increased concerns over leveraged lending, our $8.5 billion collateralized obligations securities portfolio, at estimated fair value, decreased in value during the six months ended June 30, 2020, from an unrealized loss position of $54 million at December 31, 2019 to an unrealized loss position of $282 million at June 30, 2020. We have been actively repositioning this portfolio into higher quality, higher rated securities primarily collateralized by first lien senior secured loans. As a result, this portfolio includes strong structural protections, primarily credit enhancement in the form of capital structure subordination that is available to absorb losses before they impact the securities we own. We do not own equity tranches of such securities or combination notes in this portfolio. As we invest primarily in securities rated AAA, AA or A, 98% of this portfolio was investment grade rated at June 30, 2020.

CMBS

Our CMBS portfolio is comprised primarily of securities collateralized by multiple commercial mortgage loans and is diversified by property type, borrower, geography and vintage year. The following tables present our CMBS portfolio by NRSRO rating and vintage year. As of June 30, 2020, securities are presented net of ACL, reflecting the adoption of new guidance on January 1, 2020 regarding expected credit loss. As of December 31, 2019, securities are presented at amortized cost in accordance with the prior guidance. See Notes 1 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information.

	June 30, 2020											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost net of ACL	Estimated Fair Value	Amortized Cost net of ACL	Estimated Fair Value	Amortized Cost net of ACL	Estimated Fair Value	Amortized Cost net of ACL	Estimated Fair Value	Amortized Cost net of ACL	Estimated Fair Value	Amortized Cost net of ACL	Estimated Fair Value
	(Dollars in millions)											
2003-2013	$ 1,141	$ 1,197	$ 996	$ 989	$ 357	$ 323	$ 37	$ 32	$ 37	$ 28	$ 2,568	$ 2,569
2014	420	444	495	498	112	105	—	—	—	—	1,027	1,047
2015	437	459	64	66	31	31	6	5	—	—	538	561
2016	283	302	70	71	54	48	—	—	—	—	407	421
2017	665	698	512	518	162	144	—	—	—	—	1,339	1,360
2018	1,682	1,847	657	673	242	222	22	22	—	—	2,603	2,764
2019	964	1,002	160	153	625	566	—	—	—	—	1,749	1,721
2020	504	507	180	181	124	113	28	29	—	—	836	830
Total	$ 6,096	$ 6,456	$ 3,134	$ 3,149	$ 1,707	$ 1,552	$ 93	$ 88	$ 37	$ 28	$ 11,067	$ 11,273
Ratings Distribution		57.3%		27.9%		13.8%		0.8%		0.2%		100.0%

	December 31, 2019											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in millions)											
2003 - 2013	$ 1,109	$ 1,169	$ 973	$ 1,007	$ 368	$ 376	$ 37	$ 36	$ 52	$ 41	$ 2,539	$ 2,629
2014	372	389	486	502	114	119	—	—	—	—	972	1,010
2015	419	436	65	67	31	33	—	—	—	—	515	536
2016	285	298	71	73	55	56	—	—	—	—	411	427
2017	668	689	589	608	181	182	—	—	—	—	1,438	1,479
2018	1,713	1,804	704	739	240	249	22	22	—	—	2,679	2,814
2019	744	754	143	143	652	655	—	—	—	—	1,539	1,552
Total	$ 5,310	$ 5,539	$ 3,031	$ 3,139	$ 1,641	$ 1,670	$ 59	$ 58	$ 52	$ 41	$ 10,093	$ 10,447
Ratings Distribution		53.0%		30.0%		16.0%		0.6%		0.4%		100.0%

The tables above reflect NRSRO ratings including Moody's Investors Service, S&P, Fitch Ratings and Morningstar, Inc. CMBS designated NAIC 1 were 97.3% and 97.1% of total CMBS at June 30, 2020 and December 31, 2019, respectively.

Evaluation of Fixed Maturity Securities AFS for Credit Loss, Evaluation of Fixed Maturity Securities AFS in an Unrealized Loss Position and Credit Loss on Fixed Maturity Securities AFS Recognized in Earnings

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the evaluation of fixed maturity securities AFS for credit loss, evaluation of fixed maturity securities AFS in an unrealized loss position without an ACL, rollforward of the ACL and gross gains and gross losses on fixed maturity securities AFS sold at and for the periods ended June 30, 2020.

Overview of Credit Loss on Fixed Maturity Securities AFS

Overall the provision for credit loss on fixed maturity securities AFS was $8 million and $223 million for the three months and six months ended June 30, 2020, respectively, as compared to $0 and $10 million for the three months and six months ended June 30, 2019, respectively. The provision for credit loss increased on foreign government securities by $131 million for the six months ended June 30, 2020, which was concentrated in Argentine sovereign securities, from issuer specific factors in 2020. The provision for credit loss increased on U.S. corporate securities and foreign corporate securities by $17 million for the three months ended June 30, 2020 and $81 million for the six months ended June 30, 2020, which was concentrated in industrial and consumer securities, from market driven and issuer specific factors, primarily in the energy, manufacturing, services and airline sectors in 2020.

See Notes 1 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on new guidance adopted on January 1, 2020 affecting the credit loss evaluation process and the measurement of credit loss; and a summary of the similarities and the differences of this new guidance with the previous guidance.

Future Credit Losses

Provisions for credit loss recognized in future quarters on fixed maturity securities AFS will depend primarily on future economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings and collateral valuation. In upcoming periods, if there are changes in the above factors, provisions for credit loss may be recorded, as well as changes in the ACL on securities for which a provision for credit loss was previously recorded.

Contractholder-Directed Equity Securities and Fair Value Option Securities

The estimated fair value of these investments, which are primarily comprised of Unit-linked investments, was $11.9 billion and $13.1 billion, or 2.3% and 2.7% of cash and invested assets, at June 30, 2020 and December 31, 2019, respectively. See Notes 6 and 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a description of this portfolio, its fair value hierarchy and a rollforward of the fair value measurements for these investments measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

During the six months ended June 30, 2020, the COVID-19 Pandemic contributed to financial market volatility, credit spread widening and equity market declines. As a result, for the six months ended June 30, 2020, the value of our Unit-linked investments and FVO Securities decreased, resulting in a mark-to-market loss of $322 million in net investment income, as the change in estimated fair value on these investments is recorded in net investment income.

Securities Lending, Repurchase Agreements and Federal Home Loan Bank ("FHLB") of Boston Advance Agreements

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We also participate in short-term repurchase agreement transactions with unaffiliated financial institutions. In addition, a subsidiary of the Company has entered into short-term advance agreements with the FHLB of Boston. See "— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Securities Lending and Repurchase Agreements" and Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information.

Mortgage Loans

Our mortgage loans held for investment are principally collateralized by commercial, agricultural and residential properties. Mortgage loans held for investment are carried at amortized cost and the related ACL are summarized as follows at:

	June 30, 2020				December 31, 2019			
	Amortized Cost	% of Total	ACL	% of Amortized Cost	Amortized Cost	% of Total	ACL	% of Amortized Cost
	(Dollars in millions)							
Commercial	$ 51,043	61.3%	$ 175	0.3%	$ 49,624	61.5%	$ 246	0.5%
Agricultural	17,167	20.6	91	0.5%	16,695	20.7	52	0.3%
Residential	15,060	18.1	289	1.9%	14,316	17.8	55	0.4%
Total	$ 83,270	100.0%	$ 555	0.7%	$ 80,635	100.0%	$ 353	0.4%

The carrying value of all mortgage loans, net of ACL, was 16.0% and 16.4% of cash and invested assets at June 30, 2020 and December 31, 2019, respectively.

Our commercial, agricultural and residential mortgage loan portfolios are subject to uncertain market conditions, including the effects of the COVID-19 Pandemic and related economic slowdown. As a result, during the six months ended June 30, 2020, we granted concessions (e.g., payment deferrals and other loan modifications) to certain of our commercial mortgage loan borrowers (principally in the hotel and retail sectors) and residential mortgage loan borrowers and, to a much lesser extent, some of our agricultural mortgage loan borrowers. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding COVID-19 Pandemic-related mortgage loan concessions. See also "— Commercial Mortgage Loans by Geographic Region and Property Type."

We diversify our mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. Of our commercial and agricultural mortgage loan held-for-investment portfolios, 84% are collateralized by properties located in the United States, with the remaining 16% collateralized by properties located outside the United States, which includes 4% of properties located in the U.K. and 4% of properties located in Mexico, at June 30, 2020. The carrying values of our commercial and agricultural mortgage loans held-for-investment located in California, New York and Texas were 17%, 11% and 7%, respectively, of total commercial and agricultural mortgage loans held for investment at June 30, 2020. Additionally, we manage risk when originating commercial and agricultural mortgage loans by generally lending up to 75% of the estimated fair value of the underlying real estate collateral.

We manage our residential mortgage loan held for investment portfolio in a similar manner to reduce risk of concentration, with 94% collateralized by properties located in the United States, and the remaining 6% collateralized by properties located outside the United States at June 30, 2020. The carrying values of our residential mortgage loans located in California, Florida, and New York were 35%, 9%, and 6%, respectively, of total residential mortgage loans at June 30, 2020.

Commercial Mortgage Loans by Geographic Region and Property Type. Commercial mortgage loans are the largest component of the mortgage loan invested asset class. The tables below present the diversification across geographic regions and property types of commercial mortgage loans held-for-investment at:

	June 30, 2020		December 31, 2019	
	Amount	% of Total	Amount	% of Total
	(Dollars in millions)			
Region:				
Pacific	$ 10,275	20.1%	$ 10,169	20.5%
Non-U.S.	9,542	18.7	10,093	20.3
Middle Atlantic	8,257	16.2	8,302	16.7
South Atlantic	6,513	12.8	6,487	13.1
West South Central	3,945	7.7	4,255	8.6
East North Central	2,443	4.8	3,066	6.2
Mountain	1,755	3.4	1,602	3.2
New England	1,719	3.4	1,433	2.9
West North Central	633	1.2	607	1.2
East South Central	482	1.0	502	1.0
Multi-Region and Other	5,479	10.7	3,108	6.3
Total amortized cost	51,043	100.0%	49,624	100.0%
Less: ACL	175		246	
Carrying value, net of ACL	$ 50,868		$ 49,378	
Property Type:				
Office	$ 23,359	45.8%	$ 22,925	46.2%
Retail	8,906	17.4	9,052	18.2
Apartment	8,639	16.9	8,212	16.6
Industrial	4,431	8.7	3,985	8.0
Hotel	3,333	6.5	3,471	7.0
Other	2,375	4.7	1,979	4.0
Total amortized cost	51,043	100.0%	49,624	100.0%
Less: ACL	175		246	
Carrying value, net of ACL	$ 50,868		$ 49,378	

Our commercial mortgage loan portfolio is well positioned with exposures concentrated in high quality underlying properties located in primary markets typically with institutional investors who are better positioned to manage their assets during periods of market volatility. Our portfolio is comprised primarily of lower risk loans with higher debt-service coverage ratios and lower loan-to-value ratios. See "— Mortgage Loan Credit Quality - Monitoring Process" for further information. Excluding loans with a COVID-19 Pandemic-related payment deferral, over 99% of our commercial mortgage loan portfolio was current and 100% of our hotel and retail commercial mortgage loan portfolio was current at June 30, 2020.

Mortgage Loan Credit Quality - Monitoring Process. We monitor our mortgage loan investments on an ongoing basis, including a review of loans that are current, past due, restructured and under foreclosure. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding mortgage loans by credit quality indicator, past due and nonaccrual mortgage loans.

We review our commercial mortgage loans on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural mortgage loans is generally similar, with a focus on higher risk loans, such as loans with higher loan-to-value ratios. Agricultural mortgage loans are reviewed on an ongoing basis which include, but are not limited to, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios and borrower creditworthiness, including reviews on a geographic and property-type basis. We review our residential mortgage loans on an ongoing basis, with a focus on higher risk loans, such as nonperforming loans. See Notes 1 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on our evaluation of residential mortgage loans and related ACL methodology.

Loan-to-value ratios and debt service coverage ratios are common measures in the assessment of the quality of commercial mortgage loans. Loan-to-value ratios are a common measure in the assessment of the quality of agricultural mortgage loans. Loan-to-value ratios compare the amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates that the loan amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average loan-to-value ratio was 57% and 55% at June 30, 2020 and December 31, 2019, respectively, and our average debt service coverage ratio was 2.4x at both June 30, 2020 and December 31, 2019. The debt service coverage ratio and the values utilized in calculating the ratio are updated routinely. In addition, the loan-to-value ratio is routinely updated for all but the lowest risk loans as part of our ongoing review of our commercial mortgage loan portfolio. For our agricultural mortgage loans, our average loan-to-value ratio was 47% at both June 30, 2020 and December 31, 2019. The values utilized in calculating our agricultural mortgage loan loan-to-value ratio are developed in connection with the ongoing review of our agricultural loan portfolio and are routinely updated.

Mortgage Loan Allowance for Credit Loss. Our ACL is established for both pools of loans with similar risk characteristics and for mortgage loans with dissimilar risk characteristics, collateral dependent loans and reasonably expected troubled debt restructurings, individually on a loan specific basis. We record an allowance for expected credit loss in an amount that represents the portion of the amortized cost basis of mortgage loans that the Company does not expect to collect, resulting in mortgage loans being presented at the net amount expected to be collected.

In determining our ACL, management (i) pools mortgage loans that share similar risk characteristics, (ii) considers lifetime credit loss expected over the contractual term of our mortgage loans, as adjusted for expected prepayments and any extensions, and (iii) considers past events, current economic conditions and forecasts of future economic conditions. Actual credit loss realized could be different from the amount of the ACL recorded. These evaluations and assessments are revised as conditions change and new information becomes available, which can cause the ACL to increase or decrease over time as such evaluations are revised. Negative credit migration, including an actual or expected increase in the level of problem loans, will result in an increase in the ACL. Positive credit migration, including an actual or expected decrease in the level of problem loans, will result in a decrease in the ACL. See Notes 1 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on how the ACL is established and monitored, and activity in and balances of the ACL, as of and for the six months ended June 30, 2020 and 2019.

See Notes 1 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the new guidance adopted in 2020 affecting the credit loss evaluation process and the measurement of credit loss effective January 1, 2020, as well as a summary of the similarities and the differences of this new guidance with the previous guidance.

Real Estate and Real Estate Joint Ventures

Real estate and real estate joint ventures is comprised of wholly-owned real estate and joint ventures with interests in single property income-producing real estate, and, to a lesser extent, joint ventures with interests in multi-property projects with varying strategies ranging from the development of properties to the operation of income-producing properties, as well as a runoff portfolio. The carrying value of real estate and real estate joint ventures was $11.5 billion and $10.7 billion, or 2.2% and 2.2% of cash and invested assets, at June 30, 2020 and December 31, 2019, respectively.

As a result of the COVID-19 Pandemic, certain of our real estate investments, principally hotel properties, experienced a reduction in income in the second quarter of 2020, and we expect a continuing income reduction for the remainder of 2020. We lease investment real estate, principally commercial real estate, for office and retail use, through a variety of operating lease arrangements. In response to the COVID-19 Pandemic, during the six months ended June 30, 2020, we granted lease concessions (e.g., rent payment deferrals) to some of our lessees. In addition, we have interests in certain unconsolidated real estate joint ventures which have granted COVID-19 Pandemic-related lease concessions. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding COVID-19 Pandemic-related lease concessions.

Our real estate investments are typically stabilized properties that we intend to hold for the longer-term for portfolio diversification and long-term appreciation. Our real estate investment portfolio has significantly appreciated since acquisition to a $6.1 billion unrealized gain position at June 30, 2020 that is available to absorb valuation declines from the current economic conditions. We continuously monitor expected future cash flows of our real estate investments and incorporate them into our periodic impairment analyses. As a result of the COVID-19 Pandemic, we performed an impairment analyses during the six months ended June 30, 2020, which included updated estimates of expected future cash flows. As a result of our impairment analyses, we recorded one impairment during the six months ended June 30, 2020 for $13 million. This impairment was recorded in net investment income as the investment is in a real estate fund. There were no impairments recognized in net investment gains (losses) on real estate and real estate joint ventures for either the six months ended June 30, 2020 or 2019.

We diversify our real estate investments by both geographic region and property type to reduce risk of concentration. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for a summary of real estate investments, by income type, as well as income earned.

Other Limited Partnership Interests

Other limited partnership interests are comprised of investments in private funds, including private equity funds and hedge funds. At June 30, 2020 and December 31, 2019, the carrying value of other limited partnership interests was $7.8 billion and $7.7 billion, which included $574 million and $575 million of hedge funds, respectively. Other limited partnership interests were 1.50% and 1.57% of cash and invested assets at June 30, 2020 and December 31, 2019, respectively. Cash distributions on these investments are generated from investment gains, operating income from the underlying investments of the funds and liquidation of the underlying investments of the funds.

We use the equity method of accounting for most of our private equity funds. We generally recognize our share of a private equity fund's earnings in net investment income on a three-month lag when the information is reported to us. Accordingly, declines in the equity markets, which can impact the underlying results of these private equity funds, are recorded in our net investment income on a three-month lag. As a result of declines in the equity market in the first quarter of 2020, which were reported to us in the second quarter of 2020 by our investees, we recorded negative net investment income of $607 million on our private equity and hedge fund investments during the three months ended June 30, 2020. For a discussion of our expectation of the impact of the equity market recovery in the second quarter of 2020 on our private equity returns in the third quarter of 2020, see "— Executive Summary — Consolidated Company Outlook."

Other Invested Assets

The following table presents the carrying value of our other invested assets by type at:

	June 30, 2020		December 31, 2019	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Freestanding derivatives with positive estimated fair values	$ 15,871	64.2%	$ 10,084	53.0%
Tax credit and renewable energy partnerships	1,855	7.5	1,993	10.5
Annuities funding structured settlement claims	1,264	5.1	1,271	6.7
Direct financing leases	1,157	4.7	1,247	6.6
Leveraged leases	888	3.6	1,052	5.4
Operating joint ventures	965	3.9	838	4.4
FHLB common stock	848	3.4	809	4.3
Funds withheld	490	2.0	470	2.5
Other	1,393	5.6	1,251	6.6
Total	$ 24,731	100.0%	$ 19,015	100.0%
Percentage of cash and invested assets	4.8%		3.9%	

Our direct financing and leveraged lease portfolios are subject to uncertain market conditions, including the effects of the COVID-19 Pandemic and related economic slowdown. In response to the COVID-19 Pandemic, during the six months ended June 30, 2020, we granted lease concessions, primarily in the form of rent deferrals, to some of our lessees. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding COVID-19 Pandemic-related direct financing lease concessions.

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the new guidance adopted in 2020 affecting the credit loss evaluation process and the measurement of credit loss, including direct financing and leveraged leases effective January 1, 2020.

Derivatives

Derivative Risks

We are exposed to various risks relating to our ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. We use a variety of strategies to manage these risks, including the use of derivatives. See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for:

- A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managing various risks.
- Information about the primary underlying risk exposure, gross notional amount, and estimated fair value of our derivatives by type of hedge designation, excluding embedded derivatives held at June 30, 2020 and December 31, 2019.
- The statement of operations effects of derivatives in net investments in foreign operations, cash flow, fair value, or nonqualifying hedge relationships for the three months and six months ended June 30, 2020 and 2019.

See "Quantitative and Qualitative Disclosures About Market Risk — Management of Market Risk Exposures — Hedging Activities" included in the 2019 Annual Report for more information about our use of derivatives by major hedge program.

Fair Value Hierarchy

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

The valuation of Level 3 derivatives involves the use of significant unobservable inputs and generally requires a higher degree of management judgment or estimation than the valuations of Level 1 and Level 2 derivatives. Although Level 3 inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such instruments and are considered appropriate given the circumstances. The use of different inputs or methodologies could have a material effect on the estimated fair value of Level 3 derivatives and could materially affect net income.

Derivatives categorized as Level 3 at June 30, 2020 include: interest rate forwards with maturities which extend beyond the observable portion of the yield curve; interest rate total return swaps with unobservable repurchase rates; foreign currency swaps and forwards with certain unobservable inputs, including the unobservable portion of the yield curve; credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; and equity index options with unobservable correlation inputs. At June 30, 2020, less than 1% of the estimated fair value of our derivatives was priced through independent broker quotations.

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

The gain (loss) on Level 3 derivatives primarily relates to interest rate total return swaps with unobservable repurchase rates. Other significant inputs, which are observable, include equity index levels and equity volatility, partially offset by currency volatility in foreign currency derivatives. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the results to broker quotations.

The gain (loss) on Level 3 derivatives, percentage of gain (loss) attributable to observable and unobservable inputs, and the primary drivers of observable gain (loss) are summarized as follows:

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
Gain (loss) recognized in net income (loss) (in millions)	$38	$112
Approximate percentage of gain (loss) attributable to observable inputs	35%	66%
Primary drivers of observable gain (loss)	Increases in interest rates on interest rate total return swaps and increases in certain equity index levels on equity derivatives.	Decreases in interest rates on interest rate total return swaps and decreases in certain equity index levels on equity derivatives.
Approximate percentage of gain (loss) attributable to unobservable inputs	65%	34%

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives" included in the 2019 Annual Report for further information on the estimates and assumptions that affect derivatives.

Credit Risk

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how we manage credit risk related to derivatives and for the estimated fair value of our net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. This policy applies to the recognition of derivatives on the consolidated balance sheets, and does not affect our legal right of offset.

Credit Derivatives

The following table presents the gross notional amount and estimated fair value of credit default swaps at:

	June 30, 2020		December 31, 2019	
Credit Default Swaps	**Gross Notional Amount**	**Estimated Fair Value**	**Gross Notional Amount**	**Estimated Fair Value**
	(In millions)			
Purchased	$ 3,031	$ (80)	$ 2,944	$ (98)
Written	10,780	107	11,520	271
Total	$ 13,811	$ 27	$ 14,464	$ 173

Table of Contents

The following table presents the gross gains, gross losses and net gains (losses) recognized in net derivative gains (losses) for credit default swaps as follows:

	Three Months Ended June 30,						Six Months Ended June 30,					
	2020			2019			2020			2019		
Credit Default Swaps	Gross Gains	Gross Losses	Net Gains (Losses)	Gross Gains	Gross Losses	Net Gains (Losses)	Gross Gains	Gross Losses	Net Gains (Losses)	Gross Gains	Gross Losses	Net Gains (Losses)
	(In millions)											
Purchased (1)	$ (39)	$ (22)	$ (61)	$ —	$ (5)	$ (5)	$ 39	$ (27)	$ 12	$ 3	$ (23)	$ (20)
Written (1)	27	135	162	52	(2)	50	29	(178)	(149)	189	(3)	186
Total	$ (12)	$ 113	$ 101	$ 52	$ (7)	$ 45	$ 68	$ (205)	$ (137)	$ 192	$ (26)	$ 166

(1) Gains (losses) do not include earned income (expense) on credit default swaps.

The favorable change in net gains (losses) on written credit default swaps of $112 million for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 was due to certain credit spreads on certain credit default swaps used as replications narrowing more in the current period than the prior period. The unfavorable change in net gains (losses) on purchased credit default swaps of $56 million for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 was due to certain credit spreads on credit default swaps hedging certain bonds narrowing more in the current period as compared to the prior period. The unfavorable change in net gains (losses) on written credit default swaps of $335 million for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 was due to certain credit spreads on certain credit default swaps used as replications widening in the current period as compared to narrowing in the prior period.

The maximum amount at risk related to our written credit default swaps is equal to the corresponding gross notional amount. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically replicate a corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelines approved by state insurance regulators and the NAIC and are an important tool in managing the overall corporate credit risk within the Company. In order to match our long-dated insurance liabilities, we seek to buy long-dated corporate bonds. In some instances, these may not be readily available in the market, or they may be issued by corporations to which we already have significant corporate credit exposure. For example, by purchasing Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate credit name, we can replicate the desired bond exposures and meet our ALM needs. In addition, given the shorter tenor of the credit default swaps (generally five-year tenors) versus a long dated corporate bond, we have more flexibility in managing our credit exposures.

Embedded Derivatives

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy and a rollforward of the fair value measurements for embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives” included in the 2019 Annual Report for further information on the estimates and assumptions that affect embedded derivatives.

Off-Balance Sheet Arrangements

Credit and Committed Facilities

We maintain an unsecured revolving credit facility, as well as certain committed facilities, with various financial institutions. See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities” for descriptions of such arrangements. For the classification of expenses on such credit and committed facilities and the nature of the associated liability for letters of credit issued and drawdowns on these credit and committed facilities, see Note 13 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Collateral for Securities Lending, Repurchase Agreements, Third-Party Custodian Administered Repurchase Programs and Derivatives

We participate in securities lending transactions, repurchase agreements and third-party custodian administered repurchase programs in the normal course of business for the purpose of enhancing the total return on our investment portfolio. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as "Summary of Significant Accounting Policies — Investments — Securities Lending, Repurchase Agreements and FHLB of Boston Advance Agreements" in Note 1 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report for further discussion of our securities lending transactions and repurchase agreements, the classification of revenues and expenses, and the nature of the secured financing arrangements and associated liabilities.

Securities lending and repurchase agreements: Periodically we receive non-cash collateral for securities lending and repurchase agreements from counterparties and which is not reflected on our consolidated financial statements. The amount of this non-cash collateral was $25 million and $0 at estimated fair value at June 30, 2020 and December 31, 2019, respectively.

Third-party custodian administered repurchase programs: We loan certain of our fixed maturity securities AFS to unaffiliated financial institutions and, in exchange, non-cash collateral is put on deposit by the unaffiliated financial institutions on our behalf with third-party custodians. The estimated fair value of securities loaned in connection with these transactions was $114 million and $85 million at June 30, 2020 and December 31, 2019, respectively. Non-cash collateral on deposit with third-party custodians on our behalf was $110 million and $90 million, at estimated fair value, at June 30, 2020 and December 31, 2019, respectively, which cannot be sold or re-pledged, and which is not reflected on our consolidated balance sheets.

Derivatives: We enter into derivatives to manage various risks relating to our ongoing business operations. We receive non-cash collateral from counterparties for derivatives, which can be sold or re-pledged subject to certain constraints, and which is not reflected on our consolidated balance sheets. The amount of this non-cash collateral was $2.8 billion and $1.7 billion, at estimated fair value, at June 30, 2020 and December 31, 2019, respectively. See "— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral" and Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

Investment Commitments

We enter into the following commitments in the normal course of business for the purpose of enhancing the total return on our investment portfolio: mortgage loan commitments and commitments to fund partnerships, bank credit facilities, bridge loans and private corporate bond investments. See Note 15 of the Notes to the Interim Condensed Consolidated Financial Statements for further information about these investment commitments. See "Net Investment Income" and "Net Investment Gains (Losses)" in Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the investment income, investment expense and gains and losses from such investments. See also "— Investments — Fixed Maturity Securities AFS and Equity Securities," "— Investments — Mortgage Loans," "— Investments — Real Estate and Real Estate Joint Ventures" and "— Investments — Other Limited Partnership Interests."

Lease Commitments

As lessee, we have entered into various lease and sublease agreements for office space and equipment. Our commitments under such lease agreements are included within the contractual obligations table in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Contractual Obligations" in the 2019 Annual Report. See also Note 11 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Guarantees

See "Guarantees" in Note 15 of the Notes to the Interim Condensed Consolidated Financial Statements.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported on the interim condensed consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" included in the 2019 Annual Report.

Due to the nature of the underlying risks and the uncertainty associated with the determination of actuarial liabilities, we cannot precisely determine the amounts that will ultimately be paid with respect to these actuarial liabilities, and the ultimate amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future.

We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities are established or re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such an increase could adversely affect our earnings and have a material adverse effect on our business, results of operations and financial condition.

We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turbulent financial markets that may have an adverse impact on our business, results of operations and financial condition. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils. We also use hedging, reinsurance and other risk management activities to mitigate financial market volatility.

See "Business — Regulation — Insurance Regulation — Policy and Contract Reserve Adequacy Analysis" included in the 2019 Annual Report for further information regarding required analyses of the adequacy of statutory reserves of our insurance operations.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report for additional information. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment — Low Interest Rate Scenario" included in the 2019 Annual Report and "— Variable Annuity Guarantees." A discussion of future policy benefits by segment (as well as Corporate & Other) follows.

U.S.

Amounts payable under insurance policies for this segment are comprised of group insurance and annuities, as well as property and casualty policies. For group insurance, future policyholder benefits are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor income benefit insurance, active life policies and premium stabilization and other contingency liabilities held under life insurance contracts. For group annuity contracts, future policyholder benefits are primarily related to payout annuities, including pension risk transfers, structured settlement annuities and institutional income annuities. There is no interest rate crediting flexibility on these liabilities. As a result, a sustained low interest rate environment could negatively impact earnings; however, we mitigate our risks by applying various ALM strategies, including the use of various interest rate derivative positions. The components of future policy benefits related to our property and casualty policies are liabilities for unpaid claims, estimated based upon assumptions such as rates of claim frequencies, levels of severities, inflation, judicial trends, legislative changes or regulatory decisions. Assumptions are based upon our historical experience and analysis of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, and we consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Asia

Future policy benefits for this segment are held primarily for traditional life, endowment, annuity and accident & health contracts. They are also held for total return pass-through provisions included in certain universal life and savings products. They include certain liabilities for variable annuity and variable life guarantees of minimum death benefits, and longevity guarantees. Factors impacting these liabilities include sustained periods of lower than expected yields, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by applying various ALM strategies and by the use of reinsurance.

Latin America

Future policy benefits for this segment are held primarily for immediate annuities in Chile, Mexico and Argentina and traditional life contracts mainly in Mexico, Brazil and Colombia. There are also liabilities held for total return pass-through provisions included in certain universal life and savings products in Mexico. There is limited interest rate crediting flexibility on the immediate annuity and traditional life liabilities. As a result, sustained periods of lower than expected yields could negatively impact earnings; however, we mitigate our risks by applying various ALM strategies. Other factors impacting these liabilities are actual mortality resulting in higher than expected benefit payments and actual lapses resulting in lower than expected income.

EMEA

Future policy benefits for this segment include unearned premium reserves for group life and credit insurance contracts. Future policy benefits are also held for traditional life, endowment and annuity contracts with significant mortality risk and accident & health contracts. Factors impacting these liabilities include lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by having premiums which are adjustable or cancellable in some cases, applying various ALM strategies and by the use of reinsurance.

MetLife Holdings

Future policy benefits for the life insurance business are comprised mainly of liabilities for traditional life insurance contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on life insurance policies. We routinely evaluate our reinsurance programs, which may result in increases or decreases to existing coverage. We have entered into various interest rate derivative positions to mitigate the risk that investment of premiums received and reinvestment of maturing assets over the life of the policy will be at rates below those assumed in the original pricing of these contracts. For the annuities business, future policy benefits are comprised mainly of liabilities for life-contingent income annuities and liabilities for the variable annuity guaranteed minimum benefits that are accounted for as insurance. Other future policyholder benefits are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, and active life policies. In addition, for our other products, future policyholder benefits related to the reinsurance of our former Japan joint venture are comprised of liabilities for the variable annuity guaranteed minimum benefits that are accounted for as insurance.

Corporate & Other

Future policy benefits primarily include liabilities for other reinsurance business.

Policyholder Account Balances

Policyholder account balances are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable charge that may be incurred upon surrender. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment — Low Interest Rate Scenario" included in the 2019 Annual Report and "— Variable Annuity Guarantees." See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report for additional information. A discussion of policyholder account balances by segment follows.

U.S.

Policyholder account balances in this segment are comprised of funding agreements, retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs.

Group Benefits

Policyholder account balances in this business are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs. Policyholder account balances are credited interest at a rate we determine, which is influenced by current market rates. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various interest rate derivative positions to partially mitigate the risks associated with such a scenario.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Group Benefits:

Guaranteed Minimum Crediting Rate	June 30, 2020			
	Account Value		Account Value at Guarantee	
	(In millions)			
Greater than 0% but less than 2%	$	4,872	$	4,750
Equal to or greater than 2% but less than 4%	$	1,662	$	1,627
Equal to or greater than 4%	$	767	$	739

Retirement and Income Solutions

Policyholder account balances in this business are held largely for investment-type products, mainly funding agreements, as well as postretirement benefits and corporate owned life insurance to fund non-qualified benefit programs for executives. Interest crediting rates vary by type of contract and can be fixed or variable. Variable interest crediting rates are generally tied to an external index, most commonly (1-month or 3-month) London Interbank Offered Rate ("LIBOR") or Secured Overnight Financing Rate. We are exposed to interest rate risks, as well as foreign currency exchange rate risk, when guaranteeing payment of interest and return of principal at the contractual maturity date. We may invest in floating rate assets or enter into receive-floating interest rate swaps, also tied to external indices, as well as interest rate caps, to mitigate the impact of changes in market interest rates. We also mitigate our risks by applying various ALM strategies and seek to hedge all foreign currency exchange rate risk through the use of foreign currency hedges, including cross currency swaps.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for RIS:

Guaranteed Minimum Crediting Rate	June 30, 2020			
	Account Value		Account Value at Guarantee	
	(In millions)			
Greater than 0% but less than 2%	$	147	$	—
Equal to or greater than 2% but less than 4%	$	1,065	$	101
Equal to or greater than 4%	$	4,593	$	4,392

Asia

Policyholder account balances in this segment are held largely for fixed income retirement and savings plans, fixed deferred annuities, interest sensitive whole life products, universal life and, to a lesser degree, liability amounts for Unit-linked investments that do not meet the GAAP definition of separate accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in Asia that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Asia are accounted for as embedded derivatives and recorded at estimated fair value and are also included within policyholder account balances. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We mitigate our risks by applying various ALM strategies and with reinsurance. Liabilities for Unit-linked investments are impacted by changes in the fair value of the associated underlying investments, as the return on assets is generally passed directly to the policyholder.

Table of Contents

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Asia:

Guaranteed Minimum Crediting Rate	June 30, 2020 Account Value	June 30, 2020 Account Value at Guarantee
	(In millions)	
Annuities		
Greater than 0% but less than 2%	$ 29,482	$ 1,421
Equal to or greater than 2% but less than 4%	$ 1,017	$ 368
Equal to or greater than 4%	$ 1	$ 1
Life & Other		
Greater than 0% but less than 2%	$ 12,015	$ 11,586
Equal to or greater than 2% but less than 4%	$ 29,227	$ 9,437
Equal to or greater than 4%	$ 277	$ 277

Latin America

Policyholder account balances in this segment are held largely for investment-type products and universal life products in Mexico and Chile, and deferred annuities in Brazil. Some products in Chile and some of the deferred annuities in Brazil are Unit-linked investments that do not meet the GAAP definition of separate accounts. Liabilities for Unit-linked investments are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder. Many of the other liabilities have minimum credited rate guarantees, which could adversely impact liabilities and earnings in a sustained low interest rate environment.

EMEA

Policyholder account balances in this segment are held mostly for universal life, deferred annuities, pension products, and Unit-linked investments that do not meet the GAAP definition of separate accounts. They are also held for endowment products without significant mortality risk. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in many of these policyholder account balances. We mitigate our risks by applying various ALM strategies. Liabilities for Unit-linked investments are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

MetLife Holdings

Life policyholder account balances in this segment are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies, and funding agreements. For annuities, policyholder account balances are held for fixed deferred annuities, the fixed account portion of variable annuities, non-life contingent income annuities, and embedded derivatives related to variable annuity guarantees. Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, subject to specified minimums. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various interest rate derivative positions to partially mitigate the risks associated with such a scenario. Additionally, for our other products, policyholder account balances are held for variable annuity guarantees assumed from a former operating joint venture in Japan that are accounted for as embedded derivatives.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for the MetLife Holdings segment:

Guaranteed Minimum Crediting Rate	June 30, 2020 Account Value	June 30, 2020 Account Value at Guarantee
	(In millions)	
Greater than 0% but less than 2%	$ 1,275	$ 1,196
Equal to or greater than 2% but less than 4%	$ 17,799	$ 15,453
Equal to or greater than 4%	$ 7,749	$ 5,466

Variable Annuity Guarantees

We issue, directly and through assumed business, certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value resets. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report for additional information.

Certain guarantees, including portions thereof, have insurance liabilities established that are included in future policy benefits. Guarantees accounted for in this manner include GMDBs, the life-contingent portion of guaranteed minimum withdrawal benefits ("GMWBs"), elective guaranteed minimum income benefit ("GMIB") annuitizations, and the life contingent portion of GMIBs that require annuitization when the account balance goes to zero. These liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios are based on best estimate assumptions consistent with those used to amortize DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than those previously projected or when current estimates of future assessments exceed those previously projected. At the end of each reporting period, we update the actual amount of business remaining in-force, which impacts expected future assessments and the projection of estimated future benefits resulting in a current period charge or increase to earnings.

Certain guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and included in policyholder account balances. Guarantees accounted for as embedded derivatives include guaranteed minimum accumulation benefits ("GMABs"), the non-life contingent portion of GMWBs and certain non-life contingent portions of GMIBs. The estimated fair values of guarantees accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions including expectations concerning policyholder behavior. A risk-neutral valuation methodology is used to project the cash flows from the guarantees under multiple capital market scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the present value of these risk-free generated cash flows using a discount rate that incorporates a spread over the risk-free rate to reflect our nonperformance risk and adding a risk margin. For more information on the determination of estimated fair value, see Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements.

The table below presents the carrying value for guarantees at:

	Future Policy Benefits		Policyholder Account Balances	
	June 30, 2020	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
	(In millions)			
Asia				
GMDB	$ 4	$ 3	$ —	$ —
GMAB	—	—	50	34
GMWB	34	34	177	143
EMEA				
GMDB	6	3	—	—
GMAB	—	—	50	25
GMWB	30	15	16	(62)
MetLife Holdings				
GMDB	359	335	—	—
GMIB	852	756	789	110
GMAB	—	—	2	(1)
GMWB	133	125	724	375
Total	$ 1,418	$ 1,271	$ 1,808	$ 624

The carrying amounts for guarantees included in policyholder account balances above include nonperformance risk adjustments of $222 million and $147 million at June 30, 2020 and December 31, 2019, respectively. These nonperformance risk adjustments represent the impact of including a credit spread when discounting the underlying risk-neutral cash flows to determine the estimated fair values. The nonperformance risk adjustment does not have an economic impact on us as it cannot be monetized given the nature of these policyholder liabilities. The change in valuation arising from the nonperformance risk adjustment is not hedged.

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, equity volatility, interest rates or foreign currency exchange rates. Carrying values are also impacted by our assumptions around mortality, separate account returns and policyholder behavior, including lapse rates.

As discussed below, we use a combination of product design, hedging strategies, reinsurance, and other risk management actions to mitigate the risks related to these benefits. Within each type of guarantee, there is a range of product offerings reflecting the changing nature of these products over time. Changes in product features and terms are in part driven by customer demand but, more importantly, reflect our risk management practices of continuously evaluating the guaranteed benefits and their associated asset-liability matching. We continue to diversify the concentration of income benefits in our portfolio by focusing on withdrawal benefits, variable annuities without living benefits and index-linked annuities.

The sections below provide further detail by total account value for certain of our most popular guarantees. Total account values include amounts not reported on the consolidated balance sheets from assumed business, Unit-linked investments that do not qualify for presentation as separate account assets, and amounts included in our general account. The total account values and the net amounts at risk include direct and assumed business, but exclude offsets from hedging or ceded reinsurance, if any.

GMDBs

We offer a range of GMDBs to our contractholders. The table below presents GMDBs, by benefit type, at June 30, 2020:

	Total Account Value (1)	
	Asia & EMEA	**MetLife Holdings**
	(In millions)	
Return of premium or five to seven year step-up	$ 7,237	$ 44,380
Annual step-up	—	2,932
Roll-up and step-up combination	—	5,308
Total	$ 7,237	$ 52,620

(1) Total account value excludes $593 million for contracts with no GMDBs. The Company's annuity contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed for GMDBs and for living benefit guarantees are not mutually exclusive.

Based on total account value, less than 18% of our GMDBs included enhanced death benefits such as the annual step-up or roll-up and step-up combination products at June 30, 2020. We expect the above GMDB risk profile to be relatively consistent for the foreseeable future.

Living Benefit Guarantees

The table below presents our living benefit guarantees based on total account values at June 30, 2020:

	Total Account Value (1)	
	Asia & EMEA	MetLife Holdings
	(In millions)	
GMIB	$ —	$ 19,683
GMWB - non-life contingent (2)	1,087	2,312
GMWB - life-contingent	3,223	8,696
GMAB	1,719	192
Total	$ 6,029	$ 30,883

(1) Total account value excludes $23.5 billion for contracts with no living benefit guarantees. The Company’s annuity contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed for GMDBs and for living benefit guarantee amounts are not mutually exclusive.

(2) The Asia and EMEA segments include the non-life contingent portion of the GMWB total account value of $1.1 billion with a guarantee at annuitization.

In terms of total account value, GMIBs are our most significant living benefit guarantee. Our primary risk management strategy for our GMIB products is our derivatives hedging program as discussed below. Additionally, we have engaged in certain reinsurance agreements covering some of our GMIB business. As part of our overall risk management approach for living benefit guarantees, we continually monitor the reinsurance markets for the right opportunity to purchase additional coverage for our GMIB business. We stopped selling GMIBs in February 2016.

The table below presents our GMIB associated total account values, by their guaranteed payout basis, at June 30, 2020:

	Total Account Value
	(In millions)
7-year setback, 2.5% interest rate	$ 5,549
7-year setback, 1.5% interest rate	890
10-year setback, 1.5% interest rate	3,952
10-year mortality projection, 10-year setback, 1.0% interest rate	7,890
10-year mortality projection, 10-year setback, 0.5% interest rate	1,402
	$ 19,683

The annuitization interest rates on GMIBs have been decreased from 2.5% to 0.5% over time, partially in response to the low interest rate environment, accompanied by an increase in the setback period from seven years to 10 years and the introduction of a 10-year mortality projection.

Additionally, 41% of the $19.7 billion of GMIB total account value has been invested in managed volatility funds as of June 30, 2020. These funds seek to manage volatility by adjusting the fund holdings within certain guidelines based on capital market movements. Such activity reduces the overall risk of the underlying funds while maintaining their growth opportunities. These risk mitigation techniques reduce or eliminate the need for us to manage the funds’ volatility through hedging or reinsurance.

Our GMIB products typically have a waiting period of 10 years to be eligible for annuitization. As of June 30, 2020, only 23% of our contracts with GMIBs were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of three years.

Once eligible for annuitization, contractholders would be expected to annuitize only if their contracts were in-the-money. We calculate in-the-moneyness with respect to GMIBs consistent with net amount at risk as discussed in Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements, by comparing the contractholders' income benefits based on total account values and current annuity rates versus the guaranteed income benefits. The net amount at risk was $823 million at June 30, 2020, of which $745 million was related to GMIBs. For those contracts with GMIB, the table below presents details of contracts that are in-the-money and out-of-the-money at June 30, 2020:

	In-the-Moneyness	Total Account Value	% of Total
		(In millions)	
In-the-money	30% or greater	$ 724	3.7%
	20% to less than 30%	454	2.3%
	10% to less than 20%	967	4.9%
	0% to less than 10%	1,723	8.8%
		3,868	
Out-of-the-money	-10% to 0%	2,446	12.4%
	-20% to less than -10%	4,741	24.1%
	Greater than -20%	8,628	43.8%
		15,815	
Total GMIBs		$ 19,683	

Derivatives Hedging Variable Annuity Guarantees

Our risk mitigating hedging strategy uses various over-the-counter and exchange traded derivatives. The table below presents the gross notional amount, estimated fair value and primary underlying risk exposure of the derivatives hedging our variable annuity guarantees:

		June 30, 2020			December 31, 2019		
			Estimated Fair Value			Estimated Fair Value	
Primary Underlying Risk Exposure	Instrument Type	Gross Notional Amount	Assets	Liabilities	Gross Notional Amount	Assets	Liabilities
		(In millions)					
Interest rate	Interest rate swaps	$ 8,943	$ 85	$ 24	$ 8,639	$ 73	$ 16
	Interest rate futures	1,707	2	—	1,678	3	3
	Interest rate options	888	222	—	838	209	—
Foreign currency exchange rate	Foreign currency forwards	1,614	3	14	1,644	16	24
	Currency options	—	—	—	1	—	—
Equity market	Equity futures	3,421	2	33	4,127	5	8
	Equity index options	6,954	505	402	8,775	473	667
	Equity variance swaps	937	33	12	1,115	23	19
	Equity total return swaps	752	—	86	761	—	70
	Total	$ 25,216	$ 852	$ 571	$ 27,578	$ 802	$ 807

The change in estimated fair values of our derivatives is recorded in policyholder benefits and claims if such derivatives are hedging guarantees included in future policy benefits, and in net derivative gains (losses) if such derivatives are hedging guarantees included in policyholder account balances.

Our hedging strategy involves the significant use of static longer-term derivative instruments to avoid the need to execute transactions during periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our liability coverage, as appropriate. Futures are also used to dynamically adjust the daily coverage levels as markets and liability exposures fluctuate.

We remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. Certain of our reinsurance agreements and all derivative positions are collateralized and derivatives positions are subject to master netting agreements, both of which significantly reduce the exposure to counterparty risk. In addition, we are subject to the risk that hedging and other risk management actions prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed.

Liquidity and Capital Resources

Overview

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities and derivatives are sensitive to changing market factors. Changing conditions in the global capital markets and the economy, including the COVID-19 Pandemic, may affect our financing costs and market interest for our debt or equity securities. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, see "— Executive Summary — Consolidated Company Outlook," "— Industry Trends" and "— Investments — Current Environment."

Liquidity Management

Based upon the strength of our franchise, diversification of our businesses, strong financial fundamentals and the substantial funding sources available to us as described herein, we continue to believe we have access to ample liquidity to meet business requirements under current market conditions and reasonably possible stress scenarios. We continuously monitor and adjust our liquidity and capital plans for MetLife, Inc. and its subsidiaries in light of market conditions, as well as changing needs and opportunities.

Short-term Liquidity

We maintain a substantial short-term liquidity position, which was $14.4 billion and $9.8 billion at June 30, 2020 and December 31, 2019, respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding assets that are pledged or otherwise committed, including amounts received in connection with securities lending, repurchase agreements, derivatives, and secured borrowings, as well as amounts held in the closed block.

Liquid Assets

An integral part of our liquidity management includes managing our level of liquid assets, which was $227.3 billion and $221.4 billion at June 30, 2020 and December 31, 2019, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with securities lending, repurchase agreements, derivatives, regulatory deposits, the collateral financing arrangement, funding agreements and secured borrowings, as well as amounts held in the closed block.

Capital Management

We have established several senior management committees as part of our capital management process. These committees, including the Capital Management Committee and the Enterprise Risk Committee ("ERC"), regularly review actual and projected capital levels (under a variety of scenarios including stress scenarios) and our annual capital plan in accordance with our capital policy. The Capital Management Committee is comprised of members of senior management, including MetLife, Inc.'s Chief Financial Officer ("CFO"), Treasurer, and Chief Risk Officer ("CRO"). The ERC is also comprised of members of senior management, including MetLife, Inc.'s CFO, CRO and Chief Investment Officer.

MetLife, Inc.'s Board of Directors ("Board of Directors") and senior management are directly involved in the development and maintenance of our capital policy. The capital policy sets forth, among other things, minimum and target capital levels and the governance of the capital management process. All capital actions, including proposed changes to the annual capital plan, capital targets or capital policy, are reviewed by the Finance and Risk Committee of the Board of Directors prior to obtaining full Board of Directors approval. The Board of Directors approves the capital policy and the annual capital plan and authorizes capital actions, as required.

See “Risk Factors — Capital Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock” and Note 16 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report for information regarding restrictions on payment of dividends and stock repurchases. See also “— The Company — Liquidity and Capital Uses — Common Stock Repurchases” for information regarding MetLife, Inc.’s common stock repurchase authorizations.

The Company

Liquidity

Liquidity refers to the ability to generate adequate amounts of cash to meet our needs. In the event of significant cash requirements beyond anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and timing of the liquidity need. These available alternatives include cash flows from operations, sales of liquid assets, global funding sources including commercial paper and various credit and committed facilities. See “Management’s Discussion and Analysis of Financial Condition — Liquidity and Capital Resources — The Company — Liquidity” included in the 2019 Annual Report.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our ability to generate strong cash flows within our operating companies and borrow funds at competitive rates, as well as by our demonstrated ability to raise additional capital to meet operating and growth needs despite adverse market and economic conditions.

Summary of the Company's Primary Sources and Uses of Liquidity and Capital

Our primary sources and uses of liquidity and capital are summarized as follows:

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	(In millions)	
Sources:		
Operating activities, net	$ 2,693	$ 4,459
Net change in policyholder account balances	7,011	4,566
Net change in payables for collateral under securities loaned and other transactions	7,401	725
Cash received for other transactions with tenors greater than three months	50	—
Long-term debt issued	1,074	1,382
Preferred stock issued, net of issuance costs	972	—
Other, net	91	—
Effect of change in foreign currency exchange rates on cash and cash equivalents	—	47
Total sources	19,292	11,179
Uses:		
Investing activities, net	9,728	5,142
Cash paid for other transactions with tenors greater than three months	50	200
Long-term debt repaid	13	895
Collateral financing arrangement repaid	25	34
Financing element on certain derivative instruments and other derivative related transactions, net	242	14
Treasury stock acquired in connection with share repurchases	500	1,250
Dividends on preferred stock	109	89
Dividends on common stock	823	824
Other, net	—	117
Effect of change in foreign currency exchange rates on cash and cash equivalents	111	—
Total uses	11,601	8,565
Net increase (decrease) in cash and cash equivalents	$ 7,691	$ 2,614

Cash Flows from Operations

The principal cash inflows from our insurance activities come from insurance premiums, net investment income, annuity considerations and deposit funds. The principal cash outflows are the result of various life insurance, property and casualty, annuity and pension products, operating expenses and income tax, as well as interest expense. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal.

Cash Flows from Investments

The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sales of investments and settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows relate to purchases of businesses. We typically have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our comprehensive investment risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption.

Cash Flows from Financing

The principal cash inflows from our financing activities come from issuances of debt and other securities, deposits of funds associated with policyholder account balances and lending of securities. The principal cash outflows come from repayments of debt and the collateral financing arrangement, payments of dividends on and repurchases of MetLife, Inc.'s securities, withdrawals associated with policyholder account balances and the return of securities on loan. The primary liquidity concerns with respect to these cash flows are market disruption and the risk of early contractholder and policyholder withdrawal.

Liquidity and Capital Sources

In addition to the general description of liquidity and capital sources in "— Summary of the Company's Primary Sources and Uses of Liquidity and Capital," the Company's primary sources of liquidity and capital are set forth below.

Global Funding Sources

Liquidity is provided by a variety of global funding sources, including funding agreements, credit and committed facilities and commercial paper. Capital is provided by a variety of global funding sources, including short-term and long-term debt, the collateral financing arrangement, junior subordinated debt securities, preferred securities, equity securities and equity-linked securities. MetLife, Inc. maintains a shelf registration statement with the SEC that permits the issuance of public debt, equity and hybrid securities. As a "Well-Known Seasoned Issuer" under SEC rules, MetLife, Inc.'s shelf registration statement provides for automatic effectiveness upon filing and has no stated issuance capacity. The diversity of our global funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary global funding sources include:

Preferred Stock

See Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements and Note 16 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Common Stock

For the six months ended June 30, 2020 and 2019, MetLife, Inc. issued 2,947,250 and 4,263,189 new shares of its common stock, respectively, for $115 million and $142 million, respectively, to satisfy various stock option exercises and other stock-based awards.

Commercial Paper, Reported in Short-term Debt

MetLife, Inc. and MetLife Funding, Inc. ("MetLife Funding"), a subsidiary of Metropolitan Life Insurance Company ("MLIC"), each have a commercial paper program that is supported by our unsecured revolving credit facility (see "— Credit and Committed Facilities"). MetLife Funding raises cash from its commercial paper program and uses the proceeds to extend loans through MetLife Credit Corp., another subsidiary of MLIC, to affiliates in order to enhance the financial flexibility and liquidity of these companies.

Federal Home Loan Bank Funding Agreements, Reported in Policyholder Account Balances

Certain of our U.S. insurance subsidiaries are members of a regional FHLB. For the six months ended June 30, 2020 and 2019, we issued $19.1 billion and $14.9 billion, respectively, and repaid $18.1 billion and $14.9 billion, respectively, of funding agreements with certain regional FHLBs. At June 30, 2020 and December 31, 2019, total obligations outstanding under these funding agreements were $16.3 billion and $15.3 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Federal Home Loan Bank Advance Agreements, Reported in Payables for Collateral Under Securities Loaned and Other Transactions

For the six months ended June 30, 2020 and 2019, we borrowed $1.4 billion and $1.5 billion, respectively, and repaid $1.4 billion and $1.5 billion, respectively, under advance agreements with the FHLB of Boston. At both June 30, 2020 and December 31, 2019, total obligations outstanding under these advance agreements were $800 million. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements.

Special Purpose Entity Funding Agreements, Reported in Policyholder Account Balances

We issue fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. For the six months ended June 30, 2020 and 2019, we issued $22.5 billion and $19.1 billion, respectively, and repaid $18.3 billion and $17.1 billion, respectively, under such funding agreements. At June 30, 2020 and December 31, 2019, total obligations outstanding under these funding agreements were $38.9 billion and $34.6 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in Policyholder Account Balances

We have issued funding agreements to a subsidiary of the Federal Agricultural Mortgage Corporation. The obligations under all such funding agreements are secured by a pledge of certain eligible agricultural mortgage loans. For the six months ended June 30, 2020 and 2019, we issued $250 million and $575 million, respectively, and repaid $250 million and $575 million, respectively, under such funding agreements. At both June 30, 2020 and December 31, 2019, total obligations outstanding under these funding agreements were $2.6 billion. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Debt Issuances

See Note 9 of the Notes to the Interim Condensed Consolidated Financial Statements for information on a senior note issuance.

Credit and Committed Facilities

At June 30, 2020, we maintained a $3.0 billion unsecured revolving credit facility and certain committed facilities aggregating $3.3 billion, of which MetLife, Inc. is a party and/or guarantor. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

The unsecured revolving credit facility is used for general corporate purposes, to support the borrowers' commercial paper programs and for the issuance of letters of credit. At June 30, 2020, we had outstanding $930 million in letters of credit and no drawdowns against this facility. Remaining availability was $2.1 billion at June 30, 2020.

The committed facilities are used as collateral for certain of our affiliated reinsurance liabilities. At June 30, 2020, we had outstanding $2.9 billion in letters of credit and no drawdowns against these facilities. Remaining availability was $429 million at June 30, 2020.

See Note 13 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report for further information on credit and committed facilities.

We have no reason to believe that our lending counterparties will be unable to fulfill their respective contractual obligations under these facilities. As commitments under our credit and committed facilities may expire unused, these amounts do not necessarily reflect our actual future cash funding requirements.

Outstanding Debt Under Global Funding Sources

The following table summarizes our outstanding debt, excluding long-term debt relating to CSEs, at:

	June 30, 2020	December 31, 2019
	(In millions)	
Short-term debt (1)	$ 303	$ 235
Long-term debt (2)	$ 14,508	$ 13,461
Collateral financing arrangement	$ 968	$ 993
Junior subordinated debt securities	$ 3,151	$ 3,150

(1) Includes $204 million and $136 million of debt that is non-recourse to MetLife, Inc. and MLIC, subject to customary exceptions, at June 30, 2020 and December 31, 2019, respectively. Certain subsidiaries have pledged assets to secure this debt.

(2) Includes $487 million and $403 million of debt that is non-recourse to MetLife, Inc. and MLIC, subject to customary exceptions, at June 30, 2020 and December 31, 2019, respectively. Certain investment subsidiaries have pledged assets to secure this debt.

Debt and Facility Covenants

Certain of our debt instruments and committed facilities, as well as our unsecured revolving credit facility, contain various administrative, reporting, legal and financial covenants. We believe we were in compliance with all applicable financial covenants at June 30, 2020.

Dispositions

For information regarding the disposition of MetLife Hong Kong, see Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements.

Liquidity and Capital Uses

In addition to the general description of liquidity and capital uses in "— Summary of the Company's Primary Sources and Uses of Liquidity and Capital," the Company's primary uses of liquidity and capital are set forth below.

Common Stock Repurchases

See Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements for information relating to authorizations by the Board of Directors to repurchase MetLife, Inc. common stock, amounts of common stock repurchased pursuant to such authorizations for the six months ended June 30, 2020 and 2019, and the amount remaining under such authorizations at June 30, 2020.

Common stock repurchases are subject to the discretion of our Board of Directors and will depend upon our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.'s common stock compared to management's assessment of the stock's underlying value, applicable regulatory approvals, and other legal and accounting factors. Restrictions on the payment of dividends that may arise under so-called "Dividend Stopper" provisions would also restrict MetLife, Inc.'s ability to repurchase common stock. See "Business — Regulation," "Risk Factors — Capital Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock" and Note 16 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Dividends

For the six months ended June 30, 2020 and 2019, MetLife, Inc. paid dividends on its preferred stock of $109 million and $89 million, respectively. For the six months ended June 30, 2020 and 2019, MetLife, Inc. paid $823 million and $824 million, respectively, of dividends on its common stock. See Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the calculation and timing of these dividend payments.

Dividends are paid quarterly on MetLife, Inc.'s Floating Rate Non-Cumulative Preferred Stock, Series A. Dividends were paid semi-annually on MetLife, Inc.'s 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, until June 15, 2020 and, thereafter, will be paid quarterly. Dividends are paid semi-annually on MetLife, Inc.'s 5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D, until March 15, 2028 and, thereafter, will be paid quarterly. Dividends are paid quarterly on MetLife, Inc.'s 5.625% Non-Cumulative Preferred Stock, Series E. Dividends are paid quarterly on MetLife, Inc.'s 4.75% Non-Cumulative Preferred Stock, Series F, commencing on June 15, 2020.

The declaration and payment of common stock dividends are subject to the discretion of our Board of Directors, and will depend on MetLife, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.'s insurance subsidiaries and other factors deemed relevant by the Board of Directors. See Note 16 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report for additional information. See also Note 16 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding a common stock dividend declared subsequent to June 30, 2020.

Dividend Restrictions

The payment of dividends is also subject to restrictions under the terms of our preferred stock and junior subordinated debentures in situations where we may be experiencing financial stress. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Dividends — “Dividend Stopper” Provisions in MetLife’s Preferred Stock and Junior Subordinated Debentures,” “Risk Factors — Capital Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock” and Note 16 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Debt Repayments

For the six months ended June 30, 2020 and 2019, following regulatory approval, MetLife Reinsurance Company of Charleston, a wholly-owned subsidiary of MetLife, Inc., repurchased and canceled $25 million, and $34 million, respectively, in aggregate principal amount of its surplus notes, which were reported in collateral financing arrangement on the consolidated balance sheets.

Debt Repurchases, Redemptions and Exchanges

We may from time to time seek to retire or purchase our outstanding debt through cash purchases, redemptions and/or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise. Any such repurchases, redemptions, or exchanges will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions, and applicable regulatory, legal and accounting factors. Whether or not to repurchase or redeem any debt and the size and timing of any such repurchases or redemptions will be determined at our discretion.

Support Agreements

MetLife, Inc. and several of its subsidiaries (each, an “Obligor”) are parties to various capital support commitments and guarantees with subsidiaries. Under these arrangements, each Obligor has agreed to cause the applicable entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. We anticipate that in the event these arrangements place demands upon us, there will be sufficient liquidity and capital to enable us to meet such demands. See Note 5 of the Notes to the MetLife, Inc. (Parent Company Only) Condensed Financial Information included in the 2019 Annual Report.

Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, property and casualty, annuity and group pension products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse behavior differs somewhat by segment. In the MetLife Holdings segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. For the six months ended June 30, 2020 and 2019, general account surrenders and withdrawals from annuity products were $667 million and $911 million, respectively. In the RIS business within the U.S. segment, which includes pension risk transfers, bank-owned life insurance and other fixed annuity contracts, as well as funding agreements and other capital market products, most of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to the RIS business products that provide customers with limited rights to accelerate payments, at June 30, 2020 there were funding agreements totaling $131 million that could be put back to the Company.

Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At June 30, 2020 and December 31, 2019, we had received pledged cash collateral from counterparties of $10.7 billion and $6.3 billion, respectively. At June 30, 2020 and December 31, 2019, we had pledged cash collateral to counterparties of $282 million and $275 million, respectively. See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for additional information about collateral pledged to us, collateral we pledge and derivatives subject to credit contingent provisions.

We pledge collateral and have had collateral pledged to us, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to us, in connection with the collateral financing arrangement related to the reinsurance of closed block liabilities.

We pledge collateral from time to time in connection with funding agreements and advance agreements. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as Note 4 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Securities Lending and Repurchase Agreements

We participate in a securities lending program and in short-term repurchase agreements whereby securities are loaned to unaffiliated financial institutions. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Through these arrangements, we were liable for cash collateral under our control of $22.7 billion and $19.7 billion at June 30, 2020 and December 31, 2019, respectively, including a portion that may require the immediate return of cash collateral we hold. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements.

Litigation

We establish liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For material matters where a loss is believed to be reasonably possible but not probable, no accrual is made but we disclose the nature of the contingency and an aggregate estimate of the reasonably possible range of loss in excess of amounts accrued, when such an estimate can be made. It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to herein, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our consolidated net income or cash flows in particular quarterly or annual periods. See Note 15 of the Notes to the Interim Condensed Consolidated Financial Statements.

Contractual Obligations

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Contractual Obligations" included in the 2019 Annual Report for additional information regarding the Company's contractual obligations.

MetLife, Inc.

Liquidity and Capital Management

Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-term funding sources from the wholesale financial markets and the ability to borrow through credit and committed facilities. Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on MetLife, Inc.'s liquidity. MetLife, Inc. is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of MetLife, Inc.'s liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit MetLife, Inc.'s access to liquidity.

MetLife, Inc.'s ability to maintain regular access to competitively priced wholesale funds is fostered by its current credit ratings from the major credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sources and our liquidity monitoring procedures as critical to retaining such credit ratings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Rating Agencies" included in the 2019 Annual Report.

Liquidity

For a summary of MetLife, Inc.'s liquidity, see "— The Company — Liquidity."

Capital

For a summary of MetLife, Inc.'s capital, see "— The Company — Capital." See also "— The Company — Liquidity and Capital Uses — Common Stock Repurchases" for information regarding MetLife, Inc.'s common stock repurchases.

Liquid Assets

At June 30, 2020 and December 31, 2019, MetLife, Inc., collectively with other MetLife holding companies, had $6.6 billion and $4.2 billion, respectively, in liquid assets. Of these amounts, $5.2 billion and $3.0 billion were held by MetLife, Inc. and $1.4 billion and $1.2 billion were held by other MetLife holding companies at June 30, 2020 and December 31, 2019, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with derivatives and a collateral financing arrangement.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquid Assets" included in the 2019 Annual Report for additional information on the sources and uses of liquid assets, as well as sources and uses of liquid assets included in free cash flow for MetLife, Inc. and other MetLife holding companies.

Liquidity and Capital Sources

In addition to the description of liquidity and capital sources in "— The Company — Summary of the Company's Primary Sources and Uses of Liquidity and Capital" and "— The Company — Liquidity and Capital Sources," MetLife, Inc.'s primary sources of liquidity and capital are set forth below.

Dividends from Subsidiaries

MetLife, Inc. relies, in part, on dividends from its subsidiaries to meet its cash requirements. MetLife, Inc.'s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limitation for U.S. insurance subsidiaries is generally based on the surplus to policyholders at the end of the immediately preceding calendar year and statutory net gain from operations for the immediately preceding calendar year. Statutory accounting practices, as prescribed by insurance regulators of various states in which we conduct business, differ in certain respects from accounting principles used in financial statements prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, required investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes.

The table below sets forth the dividends permitted to be paid in 2020 by MetLife, Inc.'s primary U.S. insurance subsidiaries without insurance regulatory approval and the actual dividends paid for the six months ended June 30, 2020:

Company	Paid (1)	Permitted Without Approval (2)
	(In millions)	
Metropolitan Life Insurance Company	$ 1,177	$ 3,272
American Life Insurance Company	$ —	$ —
Metropolitan Property and Casualty Insurance Company	$ 250	$ 114
Metropolitan Tower Life Insurance Company	$ —	$ 149

(1) Reflects all amounts paid, including those where regulatory approval was obtained as required.

(2) Reflects dividend amounts that may be paid during 2020 without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2020, some or all of such dividends may require regulatory approval.

In addition to the amounts presented in the table above, for the six months ended June 30, 2020, MetLife, Inc. also received from certain other subsidiaries cash dividends of $21 million, as well as cash returns of capital of $7 million.

The dividend capacity of our non-U.S. operations is subject to similar restrictions established by the local regulators. The non-U.S. regulatory regimes also commonly limit dividend payments to the parent company to a portion of the subsidiary's prior year statutory income, as determined by the local accounting principles. The regulators of our non-U.S. operations, including Japan's Financial Services Agency, may also limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers are deemed to be detrimental to the solvency or financial strength of the non-U.S. operations, or for other reasons. Most of our non-U.S. subsidiaries are second tier subsidiaries which are owned by various non-U.S. holding companies. The capital and rating considerations applicable to our first tier subsidiaries may also impact the dividend flow into MetLife, Inc.

We proactively manage target and excess capital levels and dividend flows and forecast local capital positions as part of the financial planning cycle. The dividend capacity of certain U.S. and non-U.S. subsidiaries is also subject to business targets in excess of the minimum capital necessary to maintain the desired rating or level of financial strength in the relevant market. See "Risk Factors — Capital Risks — As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Pay Dividends, a Major Component of Holding Company Free Cash Flow" and Note 16 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Credit and Committed Facilities

See "— The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities" for further information regarding the Company's unsecured revolving credit facility and certain committed facilities.

Long-term Debt Outstanding

The following table summarizes the outstanding long-term debt of MetLife, Inc. at:

	June 30, 2020	December 31, 2019
	(In millions)	
Long-term debt — unaffiliated	$ 13,351	$ 12,379
Long-term debt — affiliated (1)	$ 2,240	$ 1,976
Junior subordinated debt securities	$ 2,460	$ 2,458

(1) In June 2020, MetLife, Inc. issued a new $250 million senior unsecured floating rate note to MetLife Insurance K.K. The senior unsecured floating rate note matures in June 2025 and bears interest at a variable rate of three-month LIBOR plus 1.82%, payable quarterly.

Debt and Facility Covenants

Certain of MetLife, Inc.'s debt instruments and committed facilities, as well as its unsecured revolving credit facility, contain various administrative, reporting, legal and financial covenants. MetLife, Inc. believes it was in compliance with all applicable financial covenants at June 30, 2020.

Liquidity and Capital Uses

The primary uses of liquidity of MetLife, Inc. include debt service, cash dividends on common and preferred stock, capital contributions to subsidiaries, common stock, preferred stock and debt repurchases, payment of general operating expenses and acquisitions. Based on our analysis and comparison of our current and future cash inflows from the dividends we receive from subsidiaries that are permitted to be paid without prior insurance regulatory approval, our investment portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable MetLife, Inc. to make payments on debt, pay cash dividends on its common and preferred stock, contribute capital to its subsidiaries, repurchase its common stock and certain of its other securities, pay all general operating expenses and meet its cash needs under current market conditions and reasonably possible stress scenarios.

In addition to the description of liquidity and capital uses in "— The Company — Liquidity and Capital Uses," MetLife, Inc.'s primary uses of liquidity and capital are set forth below.

Affiliated Capital and Debt Transactions

For the six months ended June 30, 2020 and 2019, MetLife, Inc. invested a net amount of $115 million and $42 million, respectively, in various subsidiaries.

MetLife, Inc. lends funds, as necessary, through credit agreements or otherwise to its subsidiaries and affiliates, some of which are regulated, to meet their capital requirements or to provide liquidity. MetLife, Inc. had loans to subsidiaries outstanding of $0 and $100 million at June 30, 2020 and December 31, 2019, respectively. In June 2020, the $100 million loan was repaid at maturity.

Support Agreements

MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arrangements, MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. See "— The Company — Liquidity and Capital Uses — Support Agreements."

Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Future Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Non-GAAP and Other Financial Disclosures

In this report, the Company presents certain measures of its performance on a consolidated and segment basis that are not calculated in accordance with GAAP. We believe that these non-GAAP financial measures enhance the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. Segment-specific financial measures are calculated using only the portion of consolidated results attributable to that specific segment.

The following non-GAAP financial measures should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP:

Non-GAAP financial measures:		**Comparable GAAP financial measures:**	
(i)	adjusted premiums, fees and other revenues	(i)	premiums, fees and other revenues
(ii)	adjusted earnings	(ii)	net income (loss)
(iii)	adjusted earnings available to common shareholders	(iii)	net income (loss) available to MetLife, Inc.'s common shareholders
(iv)	adjusted net investment income	(iv)	net investment income

Any of these financial measures shown on a constant currency basis reflect the impact of changes in foreign currency exchange rates and are calculated using the average foreign currency exchange rates for the most recent period and applied to the comparable prior period ("constant currency basis").

Reconciliations of these non-GAAP financial measures to the most directly comparable historical GAAP financial measures are included in "— Results of Operations." Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are not accessible on a forward-looking basis because we believe it is not possible without unreasonable effort to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a material impact on net income.

Our definitions of non-GAAP and other financial measures discussed in this report may differ from those used by other companies.

Adjusted earnings and related measures:

- adjusted earnings;
- adjusted earnings available to common shareholders; and
- adjusted earnings available to common shareholders on a constant currency basis.

These measures are used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, adjusted earnings and components of, or other financial measures based on, adjusted earnings are also our GAAP measures of segment performance. Adjusted earnings and other financial measures based on adjusted earnings are also the measures by which senior management's and many other employees' performance is evaluated for the purposes of determining their compensation under applicable compensation plans. Adjusted earnings and other financial measures based on adjusted earnings allow analysis of our performance relative to our business plan and facilitate comparisons to industry results.

Adjusted earnings is defined as adjusted revenues less adjusted expenses, net of income tax. Adjusted loss is defined as negative adjusted earnings. Adjusted earnings available to common shareholders is defined as adjusted earnings less preferred stock dividends. For information relating to adjusted revenues and adjusted expenses, see "Financial Measures and Segment Accounting Policies" in Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements.

Return on equity, allocated equity and related measures:

- Total MetLife, Inc.'s common stockholders' equity, excluding AOCI other than FCTA, is defined as total MetLife, Inc.'s common stockholders' equity, excluding the net unrealized investment gains (losses) and defined benefit plans adjustment components of AOCI, net of income tax.
- Adjusted return on MetLife, Inc.'s common stockholders' equity is defined as adjusted earnings available to common shareholders divided by MetLife, Inc.'s average common stockholders' equity.
- Adjusted return on MetLife, Inc.'s common stockholders' equity, excluding AOCI other than FCTA, is defined as adjusted earnings available to common shareholders divided by MetLife, Inc.'s average common stockholders' equity, excluding AOCI other than FCTA.
- Allocated equity is the portion of MetLife, Inc.'s common stockholders' equity that management allocates to each of its segments and sub-segments based on local capital requirements and economic capital. See "— Economic Capital." Allocated equity excludes the impact of AOCI other than FCTA.

The above measures represent a level of equity consistent with the view that, in the ordinary course of business, we do not plan to sell most investments for the sole purpose of realizing gains or losses. Also, refer to the utilization of adjusted earnings and components of, or other financial measures based on, adjusted earnings mentioned above.

Expense ratio and direct expense ratio:

- Expense ratio: other expenses, net of capitalization of DAC, divided by premiums, fees and other revenues.
- Direct expense ratio: adjusted direct expenses divided by adjusted premiums, fees and other revenues. Direct expenses are comprised of employee-related costs, third party staffing costs, and general and administrative expenses.
- Direct expense ratio, excluding total notable items related to direct expenses and pension risk transfers: adjusted direct expenses excluding total notable items related to direct expenses, divided by adjusted premiums, fees and other revenues, excluding pension risk transfers.

The following additional information is relevant to an understanding of our performance results and outlook:

- We sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity. Further, sales statistics for our Latin America, Asia and EMEA segments are on a constant currency basis.
- Near-term represents one to three years.
- We refer to observable forward yield curves as of a particular date in connection with making our estimates for future results. The observable forward yield curves at a given time are based on implied future interest rates along a range of interest rate durations. This includes the 10-year U.S. Treasury rate which we use as a benchmark rate to describe longer-term interest rates used in our estimates for future results.
- Notable items represent a positive (negative) impact to adjusted earnings available to common shareholders. Notable items reflect the unexpected impact of events that affect MetLife's results, but that were unknown and that MetLife could not anticipate when it devised its business plan. Notable items also include certain items regardless of the extent anticipated in the business plan, to help investors have a better understanding of MetLife's results and to evaluate and forecast those results.
- The Company uses a measure of free cash flow to facilitate an understanding of its ability to generate cash for reinvestment into its businesses or use in non-mandatory capital actions. The Company defines free cash flow as the sum of cash available at MetLife's holding companies from dividends from operating subsidiaries, expenses and other net flows of the holding companies (including capital contributions to subsidiaries), and net contributions from debt to be at or below target leverage ratios. This measure of free cash flow is prior to capital actions, such as common stock dividends and repurchases, debt reduction and mergers and acquisitions. Free cash flow should not be viewed as a substitute for net cash provided by (used in) operating activities calculated in accordance with GAAP. The free cash flow ratio is typically expressed as a percentage of annual adjusted earnings available to common shareholders.

Subsequent Events

See Note 16 of the Notes to the Interim Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We regularly analyze our exposure to interest rate, equity market price and foreign currency exchange rate risks. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are materially exposed to changes in interest rates, foreign currency exchange rates and changes in the equity markets. We have exposure to market risk through our insurance operations and investment activities. Our exposure is and will remain elevated due to the COVID-19 Pandemic. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Consolidated Company Outlook." We use a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivatives. A description of our market risk exposures may be found under "Quantitative and Qualitative Disclosures About Market Risk" included in the 2019 Annual Report.

Item 4. Controls and Procedures

Management, with the participation of the Chief Executive Officer ("CEO") and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, the CEO and CFO have concluded that these disclosure controls and procedures are effective.

There were no changes to the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

See Note 15 of the Notes to the Interim Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

Certain factors that may affect the Company's business or operations are described under "Risk Factors" in Part I, Item 1A, of the 2019 Annual Report, as amended or supplemented here.

The Course of the Novel Coronavirus (COVID-19) Pandemic, and Responses to It, Are Uncertain and Difficult to Predict, But Have Adversely Affected and May Continue to Adversely Affect Our Business, Results of Operations, and Financial Condition

Major public health issues, including the COVID-19 Pandemic, have caused and may continue to cause a large number of illnesses and deaths. Various government bodies in any number of jurisdictions, their representatives, regulators, executive branch officials, legislators, courts, employee representatives, arbitrators, mediators and other persons exercising governmental, political, or related authority or influence (collectively, "Authorities") and other organizations may not effectively respond to the spread and severity of the COVID-19 Pandemic, and their actions and the resulting impacts are unpredictable. In addition, efforts to successfully develop and make available treatments, vaccines, or other therapeutics may be prolonged, and some or all of these efforts may never succeed. The ultimate spread, duration, and severity of the COVID-19 Pandemic, and of Authorities' actions to address it, are uncertain, and may persist. Adverse conditions may worsen over time. Actions to respond to the COVID-19 Pandemic have reduced and altered economic activity and financial markets. New information about the severity and duration of the COVID-19 Pandemic or other public health issues, and Authorities', businesses', and societal reactions to that information, may increase the severity or duration of the COVID-19 Pandemic and its effects.

The COVID-19 Pandemic, and its effect on financial markets, have adversely affected our investment portfolio (and, specifically, increased the risk of defaults, downgrades and volatility in the value of the investments we hold, and lowered variable investment income and returns) and may continue to do so. Market volatility may slow or prevent us from reacting to market events as effectively as we otherwise could. When we sell our investment holdings, we may not receive the prices we seek, and may sell at a price lower than our carrying value, due to reduced liquidity during periods of market volatility or disruption, or other reasons. This may affect privately-placed fixed income securities, certain derivative instruments, mortgage or other loans, direct financing and leveraged leases, other limited partnership interests, tax credit and renewable energy partnerships and real estate equity, including real estate joint ventures and funds. Borrowers may delay or fail to pay principal and interest when due, or may demand loan modifications. Tenants may delay paying rent, or fail to pay it, or demand lease modifications. Authorities may delay or place a moratorium on foreclosures or otherwise impair enforcement actions or demand loan or lease modifications, affecting the value of our mortgage investments, mortgage-backed securities, real estate and other equity investments, other investments, and in each case the cash flows they produce. Market volatility has also significantly increased credit spreads and may continue to do so, which may increase our borrowing costs and decrease product fee income. Further, the issuers or guarantors of fixed income securities and mortgage loans we own may default at an increased rate, especially if economic conditions fail to recover or continue to deteriorate.

Low, zero, or negative interest rates, yields and returns, reduced liquidity and a continued slowdown in U.S. or global economic conditions, and COVID-19 Pandemic-related actions, have adversely affected the values and cash flows of assets in our investment portfolio and may continue to do so, especially if prolonged. Such conditions, whether due to the COVID-19 Pandemic or efforts to counter it or its impact, may make any of the effects we have described for low interest rates, yields, and returns more severe. Conversely, Authorities' actions, including activity by the U.S. Federal Reserve and other central banks, in response to the COVID-19 Pandemic could cause inflation to be higher than we expected, which could require us to strengthen certain reserves.

We have built, and may continue to build, our cash and other liquid assets beyond the range we anticipated before the COVID-19 Pandemic. As a result, we may have less capital to devote to other uses, such as innovation, acquisitions, development, return of capital to shareholders, or other uses. In addition, Authorities may limit the dividends that our operating companies may distribute to holding companies, limiting the capital available for a variety of purposes at the holding companies. We may be unable to continue to build our capital position, especially if we have limited access to capital markets, or building our position becomes more expensive or subject to more onerous terms.

Market dislocations, decreases in observable market activity, or unavailability of information, may restrict our access to key inputs used to derive certain estimates and assumptions made in connection with financial reporting or otherwise. As a result, the variability of our financial statement balances, estimates and assumptions we use to run our business may increase, and their reliability decrease.

The COVID-19 Pandemic has increased, and may continue to increase, claims under many of our policies (for example, life, disability, long-term care, and supplemental health products) and our resulting costs. The impact on claims in a given quarter may be far greater than in prior quarters. In addition, an increased number of policyholders and contractholders may have less income or assets, and as a result have difficulty paying premiums and fees. Authorities may require (or suggest) “no lapse” in policy coverage for uncertain or prolonged periods of time, regardless of whether we receive premiums or are able to assess fees against policyholder account balances. Legal and regulatory responses to the COVID-19 Pandemic and related public health issues may also include the extension of insurance coverage beyond our policy or contract language, and/or changes to insurance policy conditions such as premium grace periods, suspension of cancellations and extensions of proof of loss deadlines. Authorities may also purport to change policy coverage, including retroactively, exposing us to risks and costs we were unable to foresee or underwrite. We may also voluntarily (or in response to requirements, guidance, or pressure) adopt customer accommodations, such as waiving exclusions, forgoing rate increases or implementing lower rate increases than we would otherwise, relaxation of claim documentation requirements premium credit, or accommodations for customers experiencing economic or other distress as a result of the COVID-19 Pandemic. Authorities may also limit the bases of our underwriting on public policy or other grounds, excluding factors such as exposure, quarantine, infection, and association with anyone suffering any COVID-19 Pandemic-related conditions. Our New York regulator's annual letters on Special Considerations that affect year-end asset adequacy testing may impose unforeseen assumptions or requirements that require us to increase or release reserves, which could affect our statutory capital and surplus.

Our cost of reinsurance for policies could increase, and we may find reinsurance unavailable. Reinsurers may dispute, or seek to reduce or eliminate, coverage on policies as a result of any changes to policies or practices we make as a result of the COVID-19 Pandemic.

Policyholders may change their behavior in unexpected ways. For example, policyholders and contractholders seeking sources of liquidity due to COVID-19 Pandemic-related economic uncertainty and increased unemployment may withdraw or surrender at greater rates than we expected. They may also change their premium payment practices, exercise product options, or take other actions as a result of the COVID-19 Pandemic and Authorities efforts to respond to it. Potential customers' demand for our products may decline, especially if economic conditions fail to recover or continue to deteriorate.

We have incurred, and may continue to incur, increased administrative expenses as a result of the COVID-19 Pandemic and Authorities’ efforts to respond to it. These conditions may affect our employees, agents, brokers and distribution partners, as well as the workforces of our vendors, service providers and counterparties. We may have difficulties conducting our business, including in selling our products, such as those traditionally sold in person. We may find it difficult or impossible to obtain required or appropriate signatures from our representatives, customers, or others for a variety of purposes, including property title-related or other filings with Authorities, increasing the uncertainties and risks from a variety of transactions, such as product sales, regulatory matters, or real estate-related transactions. We may face increased workplace safety costs and risks, lose access to critical employees, and face increased employment-related claims and employee-relations challenges, each of which may increase when our employees begin to return to our workplaces. Any of the third parties to whom we outsource certain critical business activities may fail to perform as a result of the COVID-19 Pandemic or claim that it cannot perform due to a force majeure.

Our risk management, contingency, and business continuity plans may not adequately protect our operations. Extended periods of remote work arrangements and other unusual business conditions and circumstances as a result of the COVID-19 Pandemic could strain our business continuity plans, introduce operational risk, increase our cybersecurity risks, and impair our ability to manage our business. The frequency and sophistication of attempts at unauthorized access to our technology systems and fraud may increase, and COVID-19 Pandemic conditions may impair our cybersecurity efforts and risk management. Our efforts to prevent money-laundering or other fraud, whether due to limited abilities to "know our customers," strains on our programs to avoid and deter foreign corrupt practices, or otherwise, may increase our compliance costs and risk of violations.

The COVID-19 Pandemic could affect our internal controls. We have developed, and may continue to develop, new and less-seasoned processes, procedures, and controls to respond to changes in our business environment. If any employees who are key to our controls become ill from the COVID-19 Pandemic and are unable to work, this may affect our ability to operate our internal controls.

Authorities may delay, or consider delaying, implementing legal or regulatory changes, increasing uncertainty and creating the potential for later, rapid changes. Authorities may also not be able to act on other policy or regulatory priorities as a result of the COVID-19 Pandemic. The U.K. and the EU may extend their trade negotiations. This could prolong the U.K.'s post-exit transition period beyond 2020, thereby extending its prior relationship with the European Union.

Our efforts to return excess capital to our shareholders may be challenged. For example, Authorities, investors, or media may exert pressure on us not to repurchase shares of our common stock or other securities, or prohibit us from doing so. Our use of other means to return excess capital to shareholders may be less tax-efficient than repurchases.

Any uncertainty as a result of any of these events, including but not limited to investment portfolio impact, mortality or morbidity rate changes, an increase in expenses, or policyholder behavior changes, may require us to change our estimates, assumptions, models or reserves. Important data available to us may also be incomplete or inaccurate. For example, Authorities may not accurately report population and impact data, such as death rates, infections, morbidity, hospitalization, or illness that we use in our estimates, assumptions, models or reserves.

Any of the direct or indirect effects of the COVID-19 Pandemic may cause litigation or regulatory, investor, media, or public inquiries. Our costs to manage and effectively respond to these matters, and to address them in settlement or other ways, may increase.

Any of the events described above have adversely affected, may continue to adversely affect, or may adversely affect the global economy, global financial markets, our business, our results of operations, or our financial condition. The effects may vary widely from product to product, market to market, region to region, or segment to segment. These events could also cause, contribute to, or exacerbate the risks and uncertainties we described in our 2019 Annual Report.

Economic Environment and Capital Markets Risks

Difficult Economic Conditions May Harm Our Businesses, Results of Operations or Financial Condition

* * *

Obligor and Counterparty Risk

* * *

Our efforts to manage our total exposure to a single counterparty or limited number of counterparties within or among any of our investment, derivative, treasury, and reinsurance relationships may not completely or adequately mitigate counterparty risks. We may also choose to limit these efforts, in certain cases, in order to achieve benefits we believe justify the corresponding counterparty risk, and in those cases we may fail to realize those benefits or suffer the adverse consequences of those risks.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Purchases of MetLife, Inc. common stock made by or on behalf of MetLife, Inc. or its affiliates during the quarter ended June 30, 2020 are set forth below:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 1 — April 30, 2020	—	$ —	—	$ 485,343,836
May 1 — May 31, 2020	146	$ 34.93	—	$ 485,343,836
June 1 — June 30, 2020	—	$ —	—	$ 485,343,836
Total	146		—	

(1) During the periods April 1 through April 30, 2020, May 1 through May 31, 2020 and June 1 through June 30, 2020, separate account index funds purchased 0 shares, 146 shares and 0 shares, respectively, of MetLife, Inc. common stock on the open market in non-discretionary transactions.

(2) In July 2019, MetLife, Inc. announced that its Board of Directors authorized $2.0 billion of common stock repurchases. At June 30, 2020, MetLife, Inc. had $485 million of common stock repurchases remaining under the authorization. For more information on common stock repurchases, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Common Stock Repurchases.” See also “Risk Factors — Capital Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock” and Note 16 of the Notes to the Consolidated Financial Statements included in the 2019 Annual Report.

Item 6. Exhibits

(Note Regarding Reliance on Statements in Our Contracts: *In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MetLife, Inc., its subsidiaries or affiliates, or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about MetLife, Inc., its subsidiaries and affiliates may be found elsewhere in this Quarterly Report on Form 10-Q and MetLife, Inc.'s other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)*

		Incorporated by Reference				
Exhibit No.	**Description**	**Form**	**File Number**	**Exhibit**	**Filing Date**	**Filed or Furnished Herewith**
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101).					X

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

METLIFE, INC.

By: /s/ Tamara L. Schock

Name: Tamara L. Schock
Title: Executive Vice President
and Chief Accounting Officer
(Authorized Signatory and Principal
Accounting Officer)

Date: August 6, 2020