

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 87793 / December 18, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19624

In the Matter of

METLIFE, INC.,

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Respondent MetLife, Inc. (“MetLife” or “the Company”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Exchange Act, Making Findings, and Imposing a Cease-and-Desist Order (the “Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

SUMMARY

1. These proceedings arise out of MetLife's failure to keep accurate books and records and devise and maintain a sufficient system of internal accounting controls with respect to its accounting for reserves associated with certain of its annuities products.

2. In a series of announcements beginning in December 2017 and culminating in MetLife's Form 10-K for the fiscal year ending December 31, 2017 (the "2017 10-K"), filed on March 1, 2018, MetLife disclosed two significant errors in its historical accounting for reserves associated with its annuities business. MetLife attributed each of those errors to a material weakness in MetLife's internal control over financial reporting ("ICFR").²

3. The first error involved MetLife's reserves for benefits owed to annuitants under certain group annuities in its Retirement and Income Solutions ("RIS") business whom MetLife had been unable to locate or reach via the information in its systems (the "RIS Error"). For more than 25 years, MetLife had utilized a practice of releasing reserves – that is, reducing liability for future policy benefits, with a corresponding increase in income – associated with RIS group annuitants who had not responded to MetLife after two mailing attempts, based on a presumption that those annuitants were dead or otherwise would never be found. MetLife's historical practices were insufficient to justify that presumption and the release of reserves, as was later confirmed when MetLife employed enhanced outreach procedures.

4. To correct the RIS Error, MetLife increased reserves by \$510 million pre-tax as of December 31, 2017 "to reinstate reserves previously released, and to reflect accrued interest and other related liabilities" accumulated over a 25-year period. Of the \$510 million adjustment, \$372 million was considered an "error," or a revision of prior period results. The remaining \$138 million reflected a change in estimate for fiscal year 2017.

5. MetLife attributed the RIS Error to a material weakness in its ICFR consisting of two control deficiencies: one relating to the processes and procedures for locating unresponsive and missing annuitants, and the other relating to timely communication and escalation of the issue within the Company.

6. MetLife also disclosed in its 2017 10-K a second, unrelated reserve error involving a different line of annuity products, and a second material weakness in its ICFR. This second error related to accounting for variable annuity guarantees assumed by a MetLife subsidiary, MetLife Reinsurance Company of Bermuda ("MrB"), from a former operating joint venture in Japan (the "MrB Error"). Unlike the RIS Error, which resulted in MetLife understating its reserves (and overstating income) prior to the correction, the MrB Error involved an overstatement of reserves (and understatement of income). MetLife disclosed that the MrB Error was caused by data errors, including a failure to properly incorporate policyholder withdrawals into MetLife's valuation model.

² Rule 12b-2 under the Exchange Act defines "material weakness" as "a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis."

7. To correct the MrB Error, MetLife reduced reserves by \$896 million pre-tax as of December 31, 2017, and recognized the same amount as income. Of the \$896 million adjustment, \$682 million represented a correction of prior-period errors dating back more than ten years, while the remaining \$214 million was recognized as a change in estimate for fiscal year 2017. MetLife attributed the MrB Error to a material weakness in its ICFR relating to data validation and monitoring of reserves for the variable annuity guarantees issued by the former operating joint venture in Japan. MetLife subsequently discovered that the \$896 million reserve decrease was understated by \$10 million, which was recognized and reported as a reserve change in the first quarter of 2018.

8. Both RIS and MrB's books, records and financial statements are consolidated into those of MetLife. As a result, MetLife's books and records were inaccurate in violation of Exchange Act Section 13(b)(2)(A), which requires issuers to keep accurate books and records. Moreover, both errors resulted from failures by MetLife to devise and maintain sufficient internal accounting controls as required by Exchange Act Section 13(b)(2)(B).

RESPONDENT

9. **MetLife, Inc.** is a holding company incorporated in Delaware and headquartered in New York, New York. MetLife, through its subsidiary Metropolitan Life Insurance Company and other affiliated entities, is one of the world's largest providers of insurance products, including annuities.³ MetLife's common stock is registered under Section 12(b) of the Exchange Act and trades on the New York Stock Exchange (under the ticker symbol "MET").

FACTS

A. The RIS Error

Background: Pension Closeouts and Group Annuity Contracts

10. MetLife has been in the pension closeout business since 1921. In this business, an employer that sponsors a defined benefit pension plan transfers its pension obligations to MetLife by purchasing a Group Annuity Contract ("GAC"). Under certain of these GACs, MetLife assumes the obligation to pay benefits directly to plan participants (now known as "annuitants") when they reach retirement age, along with related administrative functions.

11. Pursuant to generally accepted accounting principles ("GAAP"), MetLife holds reserves representing the present value of all future benefits expected to be paid under its outstanding policies, including GACs. *See generally* Accounting Standards Codification ("ASC") No. 944, *Financial Services—Insurance*.

MetLife's Historical Process for Contacting Group Annuitants About their Benefits

12. Historically, MetLife generally first contacted annuitants six months prior to their 65th birthday, which is the age an annuitant is typically eligible to start receiving benefits (known as the Normal Retirement Date, or "NRD"), by sending an automated form letter

³ As a holding company, MetLife, Inc. does not directly provide insurance or annuity products or maintain reserves.

instructing them to contact MetLife about benefits they may be owed (the “NRD Letter”). MetLife sent these NRD Letters by regular mail to the address in the Company’s records. However, MetLife did not take sufficient steps to verify whether the annuitant’s address information it had on file – which could be years or even decades old – was still correct before sending the letter.

13. In the event MetLife did not receive a response to the NRD Letter, its practice was to assume the annuitant wanted to defer receiving benefits, and the annuitant would be coded in MetLife’s systems as Deferred Past Normal, or “DPN.” Since many people do not retire immediately upon reaching age 65, the GACs generally allow annuitants to defer commencement of their benefits for a period of time consistent with IRS regulations, although they face tax consequences if they defer past the age of 70 ½ (the Required Minimum Distribution age or “RMD”). After sending the NRD letter, MetLife took no further action until six months before the annuitant reached the RMD at age 70 ½. At that time, MetLife’s system generated a second and final letter (the “RMD Letter”), also sent by regular mail, informing the annuitants that they would face tax consequences if they did not begin collecting their annuities.

14. Other than sending out two form letters five years apart, MetLife generally did not attempt to reach annuitants through any other means, such as by Certified Mail, e-mail or telephone, or by contacting relatives or designated beneficiaries. Thus, if MetLife’s contact information was inaccurate or incomplete, annuitants may have never received any notification from the Company that they were entitled to benefits.

MetLife’s Policy of Releasing Reserves for “Presumed Dead” Annuitants

15. Many MetLife GACs contained a “Proof of Living” (“POL”) clause. For example, some GACs provided that “[MetLife] may require proof that a payee is living on the date any annuity payment is to be made to him... [i]f proof is requested, no payment will be made until the proof has been received by [MetLife].” MetLife, therefore, generally did not consider annuity payments due and payable unless and until an annuitant provided POL; thus, under this interpretation, if an annuitant did not respond to MetLife’s mailings or otherwise provide POL by age 70 ½, MetLife could presume the annuitant was dead or otherwise would never come forward to collect benefits.

16. If the RMD passed and no response was received within a certain period of time, MetLife’s system was programmed to code the annuitant as “Status 92,” its system code for “presumed dead.” Upon coding the annuitant as Status 92, MetLife’s systems automatically removed the annuitant’s name and payment information from the data feed which the actuarial group used to calculate reserves for future policy benefits. This process resulted in MetLife “releasing” 100% of the reserves associated with the Status 92 annuitant, essentially removing that liability from its books and increasing current-period income by the same amount.

17. MetLife’s practice of releasing reserves after two unsuccessful attempts to reach an annuitant reportedly began in the early 1990s. However, MetLife has been unable to locate any contemporaneous record or documentation of, among other things: (i) the actual policy associated with unresponsive or missing group annuitants, including the release of reserves; (ii) any legal review or due diligence from the time the policy went into effect; or (iii)

documentation of which departments and at what levels were involved in the creation of the process.

The Lost and Missing Annuitants Working Group and the Pilot Program

Events Leading Up to Establishment of the Working Group

18. In April 2012, MetLife entered into multistate settlement agreements to resolve unclaimed property audits by state treasurers and comptrollers and market-conduct examinations by state insurance regulators. MetLife agreed to pay \$40 million to the states' insurance regulators, in addition to retroactive payments to beneficiaries and accelerated escheatment of unclaimed death benefits. The settlements outlined certain best practices and diligence requirements (referred to as a "thorough search" process) for locating beneficiaries after a policyholder death was confirmed, including use of the Social Security Death Master File ("DMF") or other public databases, additional regular and Certified mailings, and reaching out by telephone and e-mail. While the settlement agreements did not expressly apply to MetLife's pension closeout business (due to a narrow carve-out), the "thorough search" requirement set forth in those agreements in the instance of a policyholder death notification led to a focus by some in the Company on the search procedures being used for annuitants. RIS began running monthly searches against the DMF, as well as using an internal database (which incorporated information from the DMF and other MetLife businesses) to verify annuitant address information before sending out the two automated mailings.

19. Separately, throughout 2012, MetLife and its independent auditor identified data integrity and systems issues affecting the RIS group annuities business, including thousands of annuitants who were incorrectly coded as DPN in MetLife's systems, and thousands more for whom there was no record of any mailings being sent due to incomplete address information or invalid social security numbers. A team, which included RIS leadership, was assembled to undertake a data cleanup and outreach project modeled after the state settlements' "thorough search" protocol, which became known as the "Lost and Missing" annuitants ("L&M") project.

20. By late 2013, some members of the L&M project team had begun to question whether, given MetLife's processes for locating unresponsive annuitants that were in place at the time, it was appropriate to presume that annuitants who had not responded after two mailings were dead or otherwise would never come forward to collect benefits. The issues raised by the L&M team, however, were not escalated to senior management, and MetLife continued to release reserves pursuant to its historical practice.

MetLife Establishes a Formal Working Group to Review its Processes for Reaching Lost and Missing Annuitants

21. In late 2014, in response to industry-wide developments relating to the issue of missing pension plan participants (including a series of Department of Labor releases and a public investigation into the practices of certain plan sponsors), MetLife reconfigured the L&M project and renamed it the Lost and Missing Annuitants Working Group ("Working Group"). The Working Group's members were drawn from the RIS business as well as the operations, finance, actuarial and legal departments, and MetLife retained outside counsel to advise on

certain issues. The Working Group held weekly meetings, some of which were attended by the head of RIS.

22. The Working Group's mandate was to develop a comprehensive set of practices relating to missing annuitants, including "identify[ing] areas where alignment is needed between lost and missing participant procedures and other [RIS] processes, including calculating, releasing or re-establishing reserves, including changes to such processes." One question the Working Group was tasked with addressing was: "Can we release reserves with respect to participants whom we are unable to locate or confirm are deceased [and i]f so, under what circumstances?" The Working Group was expected to present its recommendations to the head of RIS, finance and business leaders, but it was not given a deadline by which to complete its work.

23. In early 2015, some members of the Working Group began to voice concerns to each other about continuing with the "presumed dead" practice, including potential reserve implications. Those concerns were not communicated to senior management.

24. In May 2016, the Working Group observed that "Presumed Dead is not a viable business solution to continue," and the following month some members of the Working Group set out to calculate what it would cost to reinstate all reserves associated with Status 92 annuitants. Thereafter an actuary on the Working Group estimated, at a "very high level," the total cost for both annuity reserve and retroactive payments.

25. In July 2016, the Working Group presented certain of its findings and recommendations to the head of RIS and the interim head of MetLife's U.S. business, who was a member of MetLife's Executive Group. The Working Group's recommendations included enhanced outreach procedures modeled on the "thorough search" protocol, systems upgrades, and changes to the assumptions used by the actuarial system in setting reserves for deferred annuitants. The Working Group's presentation also included a proposed "future state" in which reserves would be held until proof of death was found or the annuitant reached a yet-to-be-defined age in excess of 80 years old. At the close of the presentation, the interim head of MetLife's U.S. business authorized \$2 million in funding for additional work, including a "Pilot Program" designed to test the efficacy of the new enhanced outreach procedures.

The Pilot Program Confirms that MetLife's Processes for Locating and Contacting Missing Annuitants were Insufficient to Justify the Release of Reserves

26. The Pilot Program identified a sample of 800 previously-unresponsive DPN annuitants to be contacted using the enhanced outreach procedures. First, the annuitants' address information was verified using additional internal and external databases. Then, each annuitant was sent three letters several months apart, two by regular mail and one by Certified Mail. The language of the letters was changed to explicitly state that annuitants would not be entitled to any payments unless they responded (something that was not clearly articulated in the prior letters). The Working Group also attempted to reach unresponsive annuitants by phone whenever a valid

phone number was on file. Finally, a “tracking database” was created to monitor and record responses to the mailings and phone calls.

27. Initially, the Pilot Program was intended to include both DPN and Status 92 annuitants. Ultimately, however, the Working Group decided to focus the Pilot Program initially on the DPN population, and to do a second pilot mailing to Status 92 annuitants at a later date.

28. The Pilot Program launched in July 2016 with the first of three mailings to the 800 sample DPN annuitants; the second and third mailings went out in December 2016 and March 2017, respectively. In November 2016, the Working Group reported to the head of RIS that 36% of the 800 deferred recipients had responded after the first mailing. The head of RIS reported those results to the interim head of MetLife’s U.S. business later that day. The initial results of the Pilot Program were not shared with other members of MetLife’s senior management at that time.

29. By August 2017, when the results of the third mailing were tallied, nearly 60% of the 800 DPN annuitants had responded to collect their benefits – indeed, as of the date of this Order, 81.25% of the DPN annuitants in the Pilot Program have responded to collect benefits and 5.25% have been confirmed dead. In September 2017, MetLife’s legal department ordered an internal investigation to be conducted by outside counsel to further assess the issues relating to L&M annuitants and the Pilot Program results. MetLife’s CEO and CFO were not informed of the Pilot Program results until late October 2017.

30. MetLife’s board of directors and Audit Committee were first advised of the issue in December 2017, shortly before the Company’s first public disclosure of the RIS Error. In the interim, MetLife’s management revised a “Risk Factor” in its Q3 2017 Form 10-Q, filed on November 6, 2017, to note that “[r]eserve estimates in some instances are affected by our operating practices and procedures that are used, among other things, to support our assumptions with respect to the Company’s obligations to its policyholders and contract holders. To the extent that these practices and procedures do not accurately produce the data to support our assumptions our reserves may require adjustment.”

31. In December 2017, shortly after MetLife’s first public disclosure of the RIS Error, the Working Group launched a second Pilot Program focusing on the Status 92 population. Of the 750 Status 92 annuitants selected, approximately 50% responded to collect their benefits, and approximately 20% were found to be deceased.

MetLife Discloses a Material Weakness Related to the RIS Error

32. In the 2017 10-K, MetLife attributed the \$510 million reserve error to a material weakness in its ICFR consisting of two deficiencies: (i) “Ineffective design and operating effectiveness of the controls related to processes and procedures for identifying unresponsive and missing group annuity annuitants and pension beneficiaries;” and (ii) “Ineffective design and

operating effectiveness of the controls intended to ensure timely communication and escalation of the issue throughout the Company.”

33. As to the first deficiency, the internal controls unit of MetLife’s finance department (“ICD”) found in February 2018, among other things, that there was “no evidence to support the appropriateness of administrative practices that were the basis for the accounting practice to release reserves” at the time the policy was established – for instance, there was no evidence of any legal analysis or due diligence, or even a record of who approved the policy and related practices. Moreover, MetLife’s ICD found that the Status 92 policy should have been (but was not) reassessed over time as technology advanced, assumptions changed, and the shortcomings in MetLife’s practices with respect to unresponsive annuitants became more apparent. Also contributing to the first deficiency was the fact that MetLife did not undertake sufficient or appropriate efforts to track or document the number of annuitants who were placed in Status 92, or the amount of reserves released as a result.

34. The second deficiency involved a failure of timely escalation. In its assessment of the control failures that led to the RIS Error, MetLife’s ICD found that “From December 2014 through August 2015, several parties raised questions related to the historical administrative and accounting practices for unresponsive and missing group annuity annuitants which were not raised to [senior management]... certain issues were raised to some levels of U.S. business management but not in a manner and form that effectively described the historical administrative and accounting practices for unresponsive and missing annuitants that resulted in the release of reserves... [and] pertinent and substantive legal analysis performed since 2014 related to unresponsive and missing group annuity annuitants was not provided on a timely basis to [senior management].”

B. The MrB Error

Background: The Japanese Variable Annuities Business

35. In 2005, MetLife engaged in a joint venture with a Japanese insurer (the “Japanese insurer”), to sell variable annuities in Japan. As part of this joint venture, MetLife assumed the reinsurance risk of certain guaranteed benefits under the variable annuities. In 2010, MetLife sold its portion of the joint venture to the Japanese insurer, but retained its reinsurance obligation through its subsidiary MrB, including for policies sold through 2011. As of December 31, 2017, this reinsured block of guarantees encompassed approximately 128,000 variable annuity contracts, totaling approximately \$9.5 billion in account value.

36. MetLife accounts for some of these guarantees as embedded derivatives which, under GAAP, are required to be remeasured to fair value at each reporting period. *See* ASC 815, *Derivatives and Hedging*. These guarantees, which protect the policy accounts from adverse market performance, take various forms, including a Guaranteed Minimum Withdrawal Benefit (“GMWB”) and Guaranteed Minimum Withdrawal Benefit for Life (“GMWB for Life”).⁴

⁴ A GMWB guarantees the policyholder a minimum benefit through annual withdrawals after a deferral period. A GMWB for Life guarantees the policyholder a minimum benefit through annual withdrawals, after a deferral period, for as long as the policyholder lives.

37. MetLife regularly received from the Japanese insurer two separate data feeds reflecting the current guaranteed benefit amounts under the variable annuity policies. The Japanese insurer sent a weekly data feed to MetLife’s valuation system, and also sent a separate monthly feed to MrB’s administrative system. Weekly data received by the valuation system was used by MetLife’s asset liability management (“ALM”) group for modeling hedges, and by its retail annuities actuarial group to calculate the fair value of derivative liabilities and reserves. In contrast, MetLife used the monthly data received by the reinsurance administrative system to calculate reinsurance payments due to the Japanese insurer.

38. In June 2017, MetLife’s internal model validation unit (part of MetLife Corporate Risk Management) performed a review of the valuation model used to calculate reserves associated with the Japanese variable annuity guarantees, the first in four years. The model validation unit deemed the model “satisfactory with exceptions,” but it flagged issues with data quality from the Japanese insurer, MetLife’s lack of access to the Japanese insurer’s original policy forms to confirm policy features and guarantees, and lack of documentation for model inputs. The model validation unit, however, did not detect the errors disclosed by MetLife in its 2017 10-K filing.

MetLife Discovers Three Data Errors Impacting its Reserves for the Japanese Variable Annuity Guarantees

39. In February 2018, while conducting research into unexplained losses related to the Japanese variable annuity guarantees, the ALM group discovered errors associated with three fields of data the Japanese insurer was providing to MetLife’s valuation system.

40. The most significant error related to calculating the GMWB for Life for variable annuity policies and involved incorrect remaining return on premium (“Remaining ROP”) data provided by the Japanese insurer in a data field known as Field 45. A second, related error involved incorrect Guaranteed Minimum Death Benefit (“GMDB”)⁵ data provided by the Japanese insurer in a data field known as Field 10. Because it did not account for cumulative withdrawals from the policyholder account balance, the data in Fields 45 and 10 overstated the Remaining ROP and GMDB, respectively. MetLife used this inflated data to calculate its GMWB for Life liabilities, which resulted in over-reserving.

41. While the Japanese insurer was sending inaccurate Field 45 and Field 10 data to MetLife’s valuation system, the corresponding monthly data it sent to MetLife’s reinsurance administrative system was accurate. However, MetLife performed only minimal reconciliation between the two systems – for example, comparing the number of contracts reflected in each data set – and therefore did not identify the discrepancy.

42. The Field 45 and Field 10 issues appear to have originated with a coding error at the Japanese insurer in 2007, when the Japanese insurer began to automate its data feed to MetLife’s valuation system. The automation contained built-in logic that did not capture

⁵ Variable annuity products containing a GMWB for Life also include a GMDB, which guarantees a policyholder’s beneficiary a certain amount upon the policyholder’s death. The GMDB portion is accounted for as an insurance liability, rather than an embedded derivative. See generally ASC 944/SOP 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts*.

cumulative withdrawals for all periods. In 2009, in the course of automating its feed to MetLife's reinsurance administrative system, the Japanese insurer identified and corrected the erroneous data in that feed, but failed to correct the same error in the data feed it continued to send to the valuation system.

43. An additional error involved MetLife's incorrect use of data relating to GMWBs provided by the Japanese insurer. MetLife used data from a field known as Field 50 in its valuation models under the incorrect assumption that Field 50 incorporated policyholder withdrawals, when in fact it did not. This caused MetLife to overvalue its liabilities and maintain excess reserves with respect to those guarantees. Unlike the Field 45 and Field 10 errors, which involved the Japanese insurer sending inaccurate data, the data provided by the Japanese insurer in Field 50 was correct – it was MetLife's erroneous use of that data in its valuation that caused it to over-reserve.⁶

MetLife Discloses a Material Weakness Related to the MrB Error

44. In the 2017 10-K, MetLife attributed the MrB Error to a material weakness in its ICFR: "Ineffective design and operating effectiveness of the controls related to data validation and monitoring of reserves for variable annuity guarantees issued by a former operating joint venture in Japan and reinsured by [MetLife]."

45. More specifically, MetLife's ICD found that "MetLife did not appropriately understand the data elements used to calculate the guarantee reserve liability and/or mapped the controls incorrectly," and that "the incorrect assumption was based on MetLife's mistake, considering the withdrawal payment information was known to MetLife and was never properly reconciled to the reserve calculation." The ICD further found that "the magnitude of the adjustment should have been identified earlier through analytics."

46. The ICD also noted control breakdowns at the actuarial/finance level, including "insufficient review/monitoring of the underlying data fields upon setup" and "[lack of] ongoing review of the activity at the level of detail that would have identified the issue." The ICD ultimately attributed the error to a combination of MetLife's failure to reconcile data between its valuation and administrative systems, lack of documentation, and a failure to perform a ceding company audit of the Japanese insurer.

47. Further analysis identified control breakdowns associated with MetLife's 2017 Model Risk Validation Process conducted by Global Risk Management. While the model was rated "satisfactory with exceptions," the control analysis found that the exceptions required documentation of "key inputs that would have identified the issue," and that the exceptions themselves should have been remediated more quickly.

⁶ In 2012, MetLife's actuarial team discovered that the cumulative withdrawal amount was not being deducted from the GMWB balance in GMWB for Life guarantees, resulting in an overstatement of reserves, comparable to the Field 50 error. Though MetLife changed the model with respect to policies containing GMWBs for Life, the changes did not extend to GMWB-only policies. Further, the revised model involved the use of data from Field 45 which, as mentioned above, was later discovered to be inaccurate.

C. Violations

48. As a result of the conduct described above, MetLife violated Section 13(b)(2)(A) of the Exchange Act, which requires issuers to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

49. As a result of the conduct described above, MetLife violated Section 13(b)(2)(B) of the Exchange Act, which requires issuers to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that, among other things, transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP.

D. MetLife's Remedial Efforts and Cooperation

50. In determining to accept the Offer, the Commission considered remedial acts undertaken by MetLife and cooperation afforded the Commission staff. MetLife's remediation included turning off Status 92 in its administrative systems and eliminating the historical reserve treatment for Status 92; conducting a global review of other businesses and products to determine whether similar issues existed in other areas; and implementing certain enhancements to its internal controls with respect to annuitant outreach practices, communication and escalation of information to management, and the calculation of reserves in connection with unresponsive or missing RIS annuitants and the Japanese variable annuity guarantees. MetLife is also voluntarily paying interest on retroactive payments for those annuitants who have been located.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 21C of the Exchange Act, it is hereby ORDERED that:

A. MetLife cease and desist from committing or causing any violations and any future violations of Section 13(b)(2)(A) of the Exchange Act.

B. MetLife cease and desist from committing or causing any violations and any future violations of Section 13(b)(2)(B) of the Exchange Act.

C. MetLife shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$10,000,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying MetLife as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Lara Shalov Mehraban, Associate Director, Division of Enforcement, Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY, 10281.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary