MetLife Institutional Funding II

$7,000,000,000 Global Medium Term Note Issuance Program

This supplement (this "**Fourth Base Prospectus Supplement**") is supplemental to and must be read in conjunction with the Offering Circular, dated September 7, 2012 (the "**Base Prospectus**"), the First Base Prospectus Supplement, dated November 20, 2012 (the "**First Base Prospectus Supplement**"), the Second Base Prospectus Supplement, dated April 3, 2013 (the "**Second Base Prospectus Supplement**"), and the Third Base Prospectus Supplement, dated May 20, 2013 (this "**Third Base Prospectus Supplement**"), prepared by MetLife Institutional Funding II (the "**Issuer**") under the Issuer's global medium term note issuance program for the issuance of senior secured medium term notes (the "**Notes**").

This Fourth Base Prospectus Supplement has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Fourth Base Prospectus Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

This document constitutes a Base Prospectus Supplement for the purposes of Article 16 of the Prospectus Directive. References herein to this document are to this Fourth Base Prospectus Supplement incorporating Annex I hereto.

This Fourth Base Prospectus Supplement contains a quarterly report of MetLife Insurance Company of Connecticut ("**MICC**") on Form 10-Q filed with the United States Securities and Exchange Commission on May 10, 2013, attached as Annex I hereto, which contains updated risk factors and unaudited interim condensed consolidated financial statements of MICC and its consolidated subsidiaries as of March 31, 2013 and for the three months ended March 31, 2013 and 2012 (including any notes thereto, the "**Consolidated Financial Statements**"), together with Management's Discussion and Analysis of Financial Condition and Results of Operations relating to such Consolidated Financial Statements.

Except as disclosed in this Fourth Base Prospectus Supplement, the Third Base Prospectus Supplement, the Second Base Prospectus Supplement and the First Base Prospectus Supplement, there has been no significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus since the publication of the Base Prospectus. Where there is any inconsistency among the Base Prospectus, the First Base Prospectus Supplement, the Second Base Prospectus Supplement, the Third Base Prospectus Supplement and this Fourth Base Prospectus Supplement, language used in this Fourth Base Prospectus Supplement shall prevail.

Each of the Issuer and MICC accepts responsibility for the information contained in this Fourth Base Prospectus Supplement. To the best of the knowledge of each of the Issuer and MICC (having taken all reasonable care to ensure that such is the case) the information contained in this Fourth Base Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

ANNEX I

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 MARCH 31, 2013

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: 33-03094

MetLife Insurance Company of Connecticut

(Exact name of registrant as specified in its charter)

Connecticut *(State or other jurisdiction of incorporation or organization)*	**06-0566090** *(I.R.S. Employer Identification No.)*
1300 Hall Boulevard, Bloomfield, Connecticut *(Address of principal executive offices)*	**06002** *(Zip Code)*

(860) 656-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

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

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

At May 10, 2013, 34,595,317 shares of the registrant's common stock, $2.50 par value per share, were outstanding, of which 30,000,000 shares were owned directly by MetLife, Inc. and the remaining 4,595,317 shares were owned by MetLife Investors Group, Inc., a wholly-owned subsidiary of MetLife, Inc.

REDUCED DISCLOSURE FORMAT

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is, therefore, filing this Form 10-Q with the reduced disclosure format.

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As used in this Form 10-Q, "MICC," the "Company," "we," "our" and "us" refer to MetLife Insurance Company of Connecticut, a Connecticut corporation incorporated in 1863, and its subsidiaries, including MetLife Investors USA Insurance Company ("MLI-USA"). MetLife Insurance Company of Connecticut is a wholly-owned subsidiary of MetLife, Inc. ("MetLife").

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife Insurance Company of Connecticut and its subsidiaries. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife Insurance Company of Connecticut's filings with the U.S. Securities and Exchange Commission (the "SEC"). These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the capital and credit markets, which may affect our ability to meet liquidity needs and access capital, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets, including assets supporting risks ceded to certain affiliated captive reinsurers or hedging arrangements associated with those risks; (3) exposure to financial and capital market risk, including as a result of the disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (4) impact of comprehensive financial services regulation reform on us; (5) numerous rulemaking initiatives required or permitted by the Dodd-Frank Wall Street Reform and Consumer Protection Act which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (6) regulatory, legislative or tax changes relating to our insurance, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (7) adverse results or other consequences from litigation, arbitration or regulatory investigations; (8) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (9) investment losses and defaults, and changes to investment valuations; (10) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (11) impairments of goodwill and realized losses or market value impairments to illiquid assets; (12) defaults on our mortgage loans; (13) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (14) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (15) downgrades in our claims paying ability, financial strength ratings or those of MetLife's other insurance subsidiaries, or MetLife's credit ratings; (16) an inability of MetLife to access its credit facilities; (17) availability and effectiveness of reinsurance or indemnification arrangements, as well as any default or failure of counterparties to perform; (18) differences between actual claims experience and underwriting and reserving assumptions; (19) ineffectiveness of MetLife's risk management policies and procedures; (20) catastrophe losses; (21) increasing cost and limited market capacity for statutory life insurance reserve financings; (22) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, and for personnel; (23) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets, reduced interest rates, unanticipated policyholder behavior, mortality or longevity, and the adjustment for nonperformance risk; (24) our ability to address unforeseen liabilities, asset impairments, or rating actions arising from acquisitions or dispositions and to successfully integrate and manage the growth of acquired businesses with minimal disruption; (25) changes in accounting standards, practices and/or policies; (26) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (27) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (28) inability to attract and retain sales representatives; (29) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (30) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (31) other risks and uncertainties described from time to time in MetLife Insurance Company of Connecticut's filings with the SEC.

MetLife Insurance Company of Connecticut does not undertake any obligation to publicly correct or update any forward-looking statement if MetLife Insurance Company of Connecticut later becomes aware that such statement is not likely to be achieved. Please consult any further disclosures MetLife Insurance Company of Connecticut makes on related subjects in reports to the SEC.

Note Regarding Reliance on Statements in Our Contracts

See "Exhibit Index — 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 Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Interim Condensed Consolidated Balance Sheets
March 31, 2013 (Unaudited) and December 31, 2012

(In millions, except share and per share data)

	March 31, 2013	December 31, 2012
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $46,859 and $46,005, respectively)	$ 51,300	$ 50,968
Equity securities available-for-sale, at estimated fair value (cost: $351 and $311, respectively)	374	317
Fair value option securities, at estimated fair value	9	9
Mortgage loans (net of valuation allowances of $35 and $35, respectively; includes $2,407 and $2,666, respectively, at estimated fair value, relating to variable interest entities)	8,901	9,157
Policy loans	1,212	1,216
Real estate and real estate joint ventures	729	708
Other limited partnership interests	2,013	1,848
Short-term investments, principally at estimated fair value	2,364	2,576
Other invested assets, principally at estimated fair value	2,741	2,961
Total investments	69,643	69,760
Cash and cash equivalents, principally at estimated fair value	1,276	895
Accrued investment income (includes $11 and $13, respectively, relating to variable interest entities)	599	575
Premiums, reinsurance and other receivables	22,075	22,143
Deferred policy acquisition costs and value of business acquired	4,046	3,793
Current income tax recoverable	122	135
Goodwill	559	559
Other assets	807	822
Separate account assets	91,307	86,114
Total assets	$ 190,434	$ 184,796
Liabilities and Stockholders' Equity		
Liabilities		
Future policy benefits	$ 27,780	$ 27,585
Policyholder account balances	37,125	36,976
Other policy-related balances	3,159	3,138
Payables for collateral under securities loaned and other transactions	9,100	8,399
Long-term debt (includes $2,292 and $2,559, respectively, at estimated fair value, relating to variable interest entities)	3,083	3,350
Deferred income tax liability	1,868	1,938
Other liabilities (includes $10 and $13, respectively, relating to variable interest entities)	6,212	6,547
Separate account liabilities	91,307	86,114
Total liabilities	179,634	174,047
Contingencies, Commitments and Guarantees (Note 9)		
Stockholders' Equity		
Common stock, par value $2.50 per share; 40,000,000 shares authorized; 34,595,317 shares issued and outstanding at March 31, 2013 and December 31, 2012	86	86
Additional paid-in capital	6,718	6,718
Retained earnings	2,010	1,545
Accumulated other comprehensive income (loss)	1,986	2,400
Total stockholders' equity	10,800	10,749
Total liabilities and stockholders' equity	$ 190,434	$ 184,796

See accompanying notes to the interim condensed consolidated financial statements.

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Interim Condensed Consolidated Statements of Operations and Comprehensive Income
For the Three Months Ended March 31, 2013 and 2012 (Unaudited)

(In millions)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenues		
Premiums	$ 151	$ 380
Universal life and investment-type product policy fees	564	544
Net investment income	730	892
Other revenues	157	123
Net investment gains (losses):		
Other-than-temporary impairments on fixed maturity securities	(2)	(13)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(7)	(2)
Other net investment gains (losses)	75	19
Total net investment gains (losses)	66	4
Net derivative gains (losses)	113	(439)
Total revenues	1,781	1,504
Expenses		
Policyholder benefits and claims	414	589
Interest credited to policyholder account balances	264	439
Other expenses	408	457
Total expenses	1,086	1,485
Income (loss) before provision for income tax	695	19
Provision for income tax expense (benefit)	230	—
Net income (loss)	$ 465	$ 19
Comprehensive income (loss)	$ 51	$ (128)

See accompanying notes to the interim condensed consolidated financial statements.

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Interim Condensed Consolidated Statements of Stockholders' Equity
For the Three Months Ended March 31, 2013 and 2012 (Unaudited)

(In millions)

				Accumulated Other Comprehensive Income (Loss)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Total Stockholders' Equity
Balance at December 31, 2012	$ 86	$ 6,718	$ 1,545	$ 2,487	$ (38)	$ (49)	$ 10,749
Net income (loss)			465				465
Other comprehensive income (loss), net of income tax				(367)	9	(56)	(414)
Balance at March 31, 2013	$ 86	$ 6,718	$ 2,010	$ 2,120	$ (29)	$ (105)	$ 10,800

				Accumulated Other Comprehensive Income (Loss)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Total Stockholders' Equity
Balance at December 31, 2011	$ 86	$ 6,673	$ 1,173	$ 1,984	$ (74)	$ (139)	$ 9,703
Net income (loss)			19				19
Other comprehensive income (loss), net of income tax				(176)	4	25	(147)
Balance at March 31, 2012	$ 86	$ 6,673	$ 1,192	$ 1,808	$ (70)	$ (114)	$ 9,575

See accompanying notes to the interim condensed consolidated financial statements.

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Interim Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2013 and 2012 (Unaudited)

(In millions)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net cash provided by (used in) operating activities	$ 460	$ 397
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	4,037	2,923
Equity securities	24	26
Mortgage loans	373	362
Real estate and real estate joint ventures	3	4
Other limited partnership interests	27	77
Purchases of:		
Fixed maturity securities	(5,275)	(2,595)
Equity securities	(63)	(2)
Mortgage loans	(132)	(109)
Real estate and real estate joint ventures	(32)	(5)
Other limited partnership interests	(131)	(74)
Cash received in connection with freestanding derivatives	30	104
Cash paid in connection with freestanding derivatives	(218)	(231)
Net change in policy loans	4	(36)
Net change in short-term investments	215	731
Net change in other invested assets	(21)	(10)
Net cash provided by (used in) investing activities	(1,159)	1,165
Cash flows from financing activities		
Policyholder account balances:		
Deposits	4,296	3,579
Withdrawals	(3,638)	(4,428)
Net change in payables for collateral under securities loaned and other transactions	701	(75)
Long-term debt repaid	(246)	(121)
Financing element on certain derivative instruments	(17)	(3)
Net cash provided by (used in) financing activities	1,096	(1,048)
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(16)	4
Change in cash and cash equivalents	381	518
Cash and cash equivalents, beginning of period	895	745
Cash and cash equivalents, end of period	$ 1,276	$ 1,263
Supplemental disclosures of cash flow information:		
Net cash paid (received) for:		
Interest	$ 37	$ 44
Income tax	$ 17	$ (1)

See accompanying notes to the interim condensed consolidated financial statements.

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

"MICC" or the "Company" refers to MetLife Insurance Company of Connecticut, a Connecticut corporation incorporated in 1863, and its subsidiaries, including MetLife Investors USA Insurance Company ("MLI-USA"). MetLife Insurance Company of Connecticut is a wholly-owned subsidiary of MetLife, Inc. ("MetLife"). The Company offers individual annuities, individual life insurance, and institutional protection and asset accumulation products.

The Company is organized into two segments: Retail and Corporate Benefit Funding.

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 in 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. 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 estimates.

The accompanying interim condensed consolidated financial statements include the accounts of MetLife Insurance Company of Connecticut 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 for investments in equity securities when it has significant influence or at least a 20% interest and for investments in real estate joint ventures and other limited partnership interests ("investees") when it has more than a minor ownership interest or more than minor influence over the investee's operations, but does not have a controlling financial interest. The Company generally recognizes its share of the investee's earnings 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. The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee's operations.

Certain amounts in the prior year periods' interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2013 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

Since the Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company at March 31, 2013, its consolidated results of operations and comprehensive income for the three months ended March 31, 2013 and 2012, its consolidated statements of stockholders' equity for the three months ended March 31, 2013 and 2012, and its consolidated statements of cash flows for the three months ended March 31, 2013 and 2012, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2012 consolidated balance sheet data was derived from audited consolidated financial statements included in MetLife Insurance Company of Connecticut's Annual Report on Form 10-K for the year ended December 31, 2012 (the "2012 Annual Report") filed with the U.S. Securities and Exchange Commission ("SEC"), 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 2012 Annual Report.

Adoption of New Accounting Pronouncements

Effective January 1, 2013, the Company adopted new guidance regarding comprehensive income that requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (loss) ("AOCI") by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The adoption was prospectively applied and resulted in additional disclosures. See Note 7 for expanded disclosures.

Effective January 1, 2013, the Company adopted new guidance regarding balance sheet offsetting disclosures which requires an entity to disclose information about offsetting and related arrangements for derivatives, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions, to enable users of its financial statements to understand the effects of those arrangements on its financial position. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The objective of the guidance is to facilitate comparison between those entities that prepare their financial statements on the basis of GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards. The adoption was retrospectively applied and resulted in additional disclosures related to derivatives. See Note 5 for such expanded disclosures.

Future Adoption of New Accounting Pronouncements

In March 2013, the Financial Accounting Standards Board ("FASB") issued new guidance regarding foreign currency (Accounting Standards Update ("ASU") 2013-05, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity)*, effective prospectively for fiscal years and interim reporting periods within those years beginning after December 15, 2013. The amendments require an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to apply the guidance in Subtopic 830-30, *Foreign Currency Matters — Translation of Financial Statements,* to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, the partial sale guidance in section 830-30-40, *Derecognition,* still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In February 2013, the FASB issued new guidance regarding liabilities (ASU 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date)*, effective retrospectively for fiscal years beginning after December 15, 2013 and interim periods within those years. The amendments require an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, the amendments require an entity to disclose the nature and amount of the obligation, as well as other information about the obligations. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

2. Segment Information

The Company is organized into two segments: Retail and Corporate Benefit Funding. In addition, the Company reports certain of its results of operations in Corporate & Other. As anticipated, in the third quarter of 2012, MetLife and the Company continued to realign certain products and businesses among its existing segments, as well as Corporate & Other. Prior period results have been revised in connection with this change, which did not have a significant impact on the segment and Corporate & Other results.

Retail

The Retail segment offers a broad range of protection products and a variety of annuities primarily to individuals, and is organized into two businesses: Annuities and Life & Other. Annuities includes a variety of variable and fixed annuities which provide for both asset accumulation and asset distribution needs. Life & Other insurance products and services include variable life, universal life, term life and whole life products, as well as individual disability income products. Additionally, through broker-dealer affiliates, the Company offers a full range of mutual funds and other securities products.

Corporate Benefit Funding

The Corporate Benefit Funding segment offers a broad range of annuity and investment products, including guaranteed interest products and other stable value products, income annuities, and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This segment also includes certain products to fund company-, bank- or trust-owned life insurance used to finance non-qualified benefit programs for executives.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments, various start-up and run-off businesses, the Company's ancillary international operations, interest expense related to the majority of the Company's outstanding debt, expenses associated with certain legal proceedings and income tax audit issues. Start-up business includes direct and digital marketing products. Corporate & Other also includes the elimination of intersegment amounts.

Financial Measures and Segment Accounting Policies

Operating earnings is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is the Company's measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for net income (loss). The Company believes the presentation of operating 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.

Operating earnings is defined as operating revenues less operating expenses, both net of income tax.

Operating revenues excludes net investment gains (losses) and net derivative gains (losses). Operating expenses excludes goodwill impairments.

The following additional adjustments are made to GAAP revenues, in the line items indicated, in calculating operating 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"); and

- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes certain amounts related to contractholder-directed unit-linked investments, and (iv) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP.

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

- Policyholder benefits and claims excludes: (i) amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, (ii) benefits and hedging costs related to GMIB ("GMIB Costs"), and (iii) market value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments");

- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of policyholder account balances ("PABs") but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;

- Amortization of deferred policy acquisition costs ("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;

- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

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

- Other expenses excludes costs related to implementation of new insurance regulatory requirements and acquisition and integration costs.

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 ended March 31, 2013 and 2012. The segment accounting policies are the same as those used to prepare the Company's consolidated financial statements, except for operating 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 MetLife's and the Company's business.

MetLife's economic capital model aligns segment allocated equity with emerging standards and consistent risk principles. 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, operating earnings or net income (loss).

	Operating Earnings					
Three Months Ended March 31, 2013	**Retail**	**Corporate Benefit Funding**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidated**
				(In millions)		
Revenues						
Premiums	$ 74	$ 68	$ 9	$ 151	$ —	$ 151
Universal life and investment-type product policy fees	521	9	—	530	34	564
Net investment income	400	296	37	733	(3)	730
Other revenues	156	1	—	157	—	157
Net investment gains (losses)	—	—	—	—	66	66
Net derivative gains (losses)	—	—	—	—	113	113
Total revenues	1,151	374	46	1,571	210	1,781
Expenses						
Policyholder benefits and claims	146	208	9	363	51	414
Interest credited to policyholder account balances	229	37	—	266	(2)	264
Capitalization of DAC	(148)	(2)	(4)	(154)	—	(154)
Amortization of DAC and VOBA	114	2	—	116	(90)	26
Interest expense on debt	—	—	17	17	34	51
Other expenses	466	12	7	485	—	485
Total expenses	807	257	29	1,093	(7)	1,086
Provision for income tax expense (benefit)	120	41	(9)	152	78	230
Operating earnings	$ 224	$ 76	$ 26	326		
Adjustments to:						
Total revenues				210		
Total expenses				7		
Provision for income tax (expense) benefit				(78)		
Net income (loss)				$ 465		$ 465

	Operating Earnings					
Three Months Ended March 31, 2012	**Retail**	**Corporate Benefit Funding**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidated**
	(In millions)					
Revenues						
Premiums	$ 182	$ 117	$ 81	$ 380	$ —	$ 380
Universal life and investment-type product policy fees	500	8	8	516	28	544
Net investment income	374	283	51	708	184	892
Other revenues	122	1	—	123	—	123
Net investment gains (losses)	—	—	—	—	4	4
Net derivative gains (losses)	—	—	—	—	(439)	(439)
Total revenues	1,178	409	140	1,727	(223)	1,504
Expenses						
Policyholder benefits and claims	233	237	78	548	41	589
Interest credited to policyholder account balances	240	45	—	285	154	439
Capitalization of DAC	(253)	(3)	(21)	(277)	—	(277)
Amortization of DAC and VOBA	170	7	2	179	(141)	38
Interest expense on debt	—	—	17	17	43	60
Other expenses	575	10	56	641	(5)	636
Total expenses	965	296	132	1,393	92	1,485
Provision for income tax expense (benefit)	74	39	(13)	100	(100)	—
Operating earnings	$ 139	$ 74	$ 21	234		
Adjustments to:						
Total revenues				(223)		
Total expenses				(92)		
Provision for income tax (expense) benefit				100		
Net income (loss)				$ 19		$ 19

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

	March 31, 2013	**December 31, 2012**
	(In millions)	
Retail	$ 141,778	$ 136,333
Corporate Benefit Funding	35,413	33,140
Corporate & Other	13,243	15,323
Total	$ 190,434	$ 184,796

Net investment income is based upon the actual results of each segment's specifically identifiable investment portfolio 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.

3. Insurance

Guarantees

As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report, the Company issues variable annuity products with guaranteed minimum benefits. The non-life contingent portion of guaranteed minimum withdrawal benefits ("GMWBs") and the portion of certain GMIBs that does not require annuitization are accounted for as embedded derivatives in PABs and are further discussed in Note 5.

Based on the type of guarantee, the Company defines net amount at risk ("NAR") as listed below.

Variable Annuity Guarantees

In the Event of Death

Defined as the guaranteed minimum death benefit less the total contract 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.

At Annuitization

Defined as the amount (if any) that would be required to be added to the total contract 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 only allow annuitization of the guaranteed amount after the 10th anniversary of the contract, which not all contractholders have achieved.

Universal and Variable Life Contracts

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.

The amounts in the table below include direct business, but exclude offsets from hedging or reinsurance, if any. As discussed in Note 6 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report, the Company has reinsured substantially all of the living and death benefit guarantees associated with variable annuities issued since 2006 to an affiliated reinsurer, and certain portions of living and death benefit guarantees associated with variable annuities issued prior to 2006 to affiliated and unaffiliated reinsurers. Therefore, the NARs presented below reflect the economic exposures of living and death benefit guarantees associated with variable annuities, but not necessarily their impact on the Company.

Information regarding the types of guarantees relating to annuity contracts and universal and variable life contracts was as follows at:

	March 31, 2013		December 31, 2012	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
Annuity Contracts (1)				
Variable Annuity Guarantees				
Total contract account value	$ 94,191	$ 54,313	$ 89,671	$ 51,411
Separate account value	$ 89,174	$ 52,853	$ 84,106	$ 49,778
Net amount at risk	$ 2,343	$ 1,514	$ 3,117	$ 2,316
Average attained age of contractholders	64 years	64 years	63 years	63 years

	March 31, 2013	December 31, 2012
	Secondary Guarantees	
	(In millions)	
Universal and Variable Life Contracts (1)		
Account value (general and separate account)	$ 5,946	$ 5,812
Net amount at risk	$ 88,178	$ 86,468
Average attained age of policyholders	58 years	58 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.

4. Investments

Fixed Maturity and Equity Securities Available-for-Sale

Fixed Maturity and Equity Securities Available-for-Sale by Sector

The following table presents the fixed maturity and equity securities available-for-sale ("AFS") by sector. The unrealized loss amounts presented below include the noncredit loss component of other-than-temporary impairment ("OTTI") losses. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities.

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

	March 31, 2013					December 31, 2012				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	Gross Unrealized OTTI Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	Gross Unrealized OTTI Losses	Estimated Fair Value
	(In millions)									
Fixed maturity securities:										
U.S. corporate	$ 16,822	$ 1,917	$ 82	$ —	$ 18,657	$ 16,914	$ 2,063	$ 82	$ —	$ 18,895
U.S. Treasury and agency	9,691	946	4	—	10,633	7,678	1,186	—	—	8,864
Foreign corporate	8,432	794	37	—	9,189	8,618	853	26	—	9,445
RMBS	4,883	334	35	47	5,135	5,492	360	50	64	5,738
ABS	2,318	61	12	—	2,367	2,204	67	18	—	2,253
State and political subdivision	1,970	347	27	—	2,290	2,002	354	27	—	2,329
CMBS	1,868	110	4	—	1,974	2,221	141	6	—	2,356
Foreign government	875	183	3	—	1,055	876	214	2	—	1,088
Total fixed maturity securities	$ 46,859	$ 4,692	$ 204	$ 47	$ 51,300	$ 46,005	$ 5,238	$ 211	$ 64	$ 50,968
Equity securities:										
Common stock	$ 165	$ 29	$ 1	$ —	$ 193	$ 160	$ 18	$ 1	$ —	$ 177
Non-redeemable preferred stock	186	8	13	—	181	151	11	22	—	140
Total equity securities	$ 351	$ 37	$ 14	$ —	$ 374	$ 311	$ 29	$ 23	$ —	$ 317

The Company held non-income producing fixed maturity securities with an estimated fair value of $22 million at both March 31, 2013 and December 31, 2012, with unrealized gains (losses) of $4 million and $3 million at March 31, 2013 and December 31, 2012, respectively.

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at:

	March 31, 2013		December 31, 2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	$ 4,355	$ 4,391	$ 4,831	$ 4,875
Due after one year through five years	10,067	10,593	8,646	9,192
Due after five years through ten years	7,843	8,785	7,967	8,960
Due after ten years	15,525	18,055	14,644	17,594
Subtotal	37,790	41,824	36,088	40,621
Structured securities (RMBS, ABS and CMBS)	9,069	9,476	9,917	10,347
Total fixed maturity securities	$ 46,859	$ 51,300	$ 46,005	$ 50,968

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

Continuous Gross Unrealized Losses for Fixed Maturity and Equity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity and equity securities AFS in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position. The unrealized loss amounts include the noncredit component of OTTI loss.

	March 31, 2013				December 31, 2012			
	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
	(In millions, except number of securities)							
Fixed maturity securities:								
U.S. corporate	$ 1,043	$ 29	$ 469	$ 53	$ 784	$ 16	$ 621	$ 66
U.S. Treasury and agency	246	4	—	—	200	—	—	—
Foreign corporate	563	19	161	18	494	8	203	18
RMBS	144	2	621	80	62	6	781	108
ABS	397	1	222	11	208	1	266	17
State and political subdivision	56	2	55	25	44	2	55	25
CMBS	75	1	51	3	59	1	101	5
Foreign government	128	3	—	—	116	2	—	—
Total fixed maturity securities	$ 2,652	$ 61	$ 1,579	$ 190	$ 1,967	$ 36	$ 2,027	$ 239
Equity securities:								
Common stock	$ 3	$ —	$ 7	$ 1	$ 10	$ 1	$ 7	$ —
Non-redeemable preferred stock	23	—	44	13	—	—	50	22
Total equity securities	$ 26	$ —	$ 51	$ 14	$ 10	$ 1	$ 57	$ 22
Total number of securities in an unrealized loss position	432		361		327		420	

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities

As described more fully in Notes 1 and 7 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities, equity securities and perpetual hybrid securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.

Current Period Evaluation

Based on the Company's current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company's current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company has concluded that these securities are not other-than-temporarily impaired at March 31, 2013. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings, changes in collateral valuation, changes in interest rates and changes in credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities in an unrealized loss position decreased $24 million during the three months ended March 31, 2013 from $275 million to $251 million. The decline in, or improvement in, gross unrealized losses for the three months ended March 31, 2013, was primarily attributable to narrowing credit spreads, partially offset by an increase in interest rates.

At March 31, 2013, $74 million of the total $251 million of gross unrealized losses were from 25 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Investment Grade Fixed Maturity Securities

Of the $74 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $52 million, or 70%, are related to gross unrealized losses on 12 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads and, with respect to fixed rate fixed maturity securities, rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities

Of the $74 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $22 million, or 30%, are related to gross unrealized losses on 13 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to non-agency RMBS (primarily alternative residential mortgage loans) and U.S and foreign corporate securities (primarily industrial industry securities) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over the financial services industry sector, unemployment levels and valuations of residential real estate supporting non-agency RMBS. Management evaluates these U.S. and foreign corporate securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuer; and evaluates non-agency RMBS based on actual and projected cash flows after considering the 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.

Equity Securities

Equity securities in an unrealized loss position decreased $9 million during the three months ended March 31, 2013 from $23 million to $14 million. Of the $14 million, $9 million were from three equity securities with gross unrealized losses of 20% or more of cost for 12 months or greater, all of which were financial services industry investment grade non-redeemable preferred stock, of which 51% were rated A, AA, or AAA.

Fair Value Option Securities

See Note 6 for tables that present fair value option ("FVO") securities. See "— Net Investment Income" and "— Net Investment Gains (Losses)" for the net investment income recognized on FVO securities and the related changes in estimated fair value subsequent to purchase included in net investment income and net investment gains (losses) for securities still held as of the end of the respective periods, as applicable.

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	March 31, 2013		December 31, 2012	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)		(In millions)	
Mortgage loans:				
Commercial	$ 5,269	59.2 %	$ 5,266	57.5 %
Agricultural	1,260	14.2	1,260	13.8
Subtotal (1)	6,529	73.4	6,526	71.3
Valuation allowances	(35)	(0.4)	(35)	(0.4)
Subtotal mortgage loans, net	6,494	73.0	6,491	70.9
Commercial mortgage loans held by CSEs	2,407	27.0	2,666	29.1
Total mortgage loans, net	$ 8,901	100.0 %	$ 9,157	100.0 %

(1) There were no mortgage loan purchases for both the three months ended March 31, 2013 and 2012.

See "— Variable Interest Entities" for discussion of consolidated securitization entities ("CSEs").

Mortgage Loans and Valuation Allowance by Portfolio Segment

The carrying value prior to valuation allowance ("recorded investment") in mortgage loans, by portfolio segment, by method of evaluation of credit loss, and the related valuation allowances, by type of credit loss, were as follows:

	March 31, 2013			December 31, 2012		
	Commercial	Agricultural	Total	Commercial	Agricultural	Total
	(In millions)					
Mortgage loans:						
Evaluated individually for credit losses	$ 72	$ —	$ 72	$ 76	$ —	$ 76
Evaluated collectively for credit losses	5,197	1,260	6,457	5,190	1,260	6,450
Total mortgage loans	5,269	1,260	6,529	5,266	1,260	6,526
Valuation allowances:						
Specific credit losses	5	—	5	11	—	11
Non-specifically identified credit losses	27	3	30	21	3	24
Total valuation allowances	32	3	35	32	3	35
Mortgage loans, net of valuation allowance	$ 5,237	$ 1,257	$ 6,494	$ 5,234	$ 1,257	$ 6,491

Valuation Allowance Rollforward by Portfolio Segment

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

	Commercial	Agricultural	Total
		(In millions)	
For the Three Months Ended March 31, 2013:			
Balance, beginning of period	$ 32	$ 3	$ 35
Provision (release)	—	—	—
Balance, end of period	$ 32	$ 3	$ 35
For the Three Months Ended March 31, 2012:			
Balance, beginning of period	$ 58	$ 3	$ 61
Provision (release)	(4)	—	(4)
Balance, end of period	$ 54	$ 3	$ 57

Credit Quality of Commercial Mortgage Loans

Information about the credit quality of commercial mortgage loans is presented below at:

	Recorded Investment						
	Debt Service Coverage Ratios						
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	% of Total	Estimated Fair Value	% of Total
	(In millions)					(In millions)	
March 31, 2013:							
Loan-to-value ratios:							
Less than 65%	$ 3,931	$ 105	$ 66	$ 4,102	77.8 %	$ 4,544	79.1 %
65% to 75%	605	31	27	663	12.6	691	12.0
76% to 80%	389	12	26	427	8.1	444	7.7
Greater than 80%	39	16	22	77	1.5	68	1.2
Total	$ 4,964	$ 164	$ 141	$ 5,269	100.0 %	$ 5,747	100.0 %
December 31, 2012:							
Loan-to-value ratios:							
Less than 65%	$ 3,888	$ 106	$ 89	$ 4,083	77.5 %	$ 4,459	78.5 %
65% to 75%	626	32	27	685	13.0	711	12.5
76% to 80%	343	8	57	408	7.8	428	7.6
Greater than 80%	39	28	23	90	1.7	81	1.4
Total	$ 4,896	$ 174	$ 196	$ 5,266	100.0 %	$ 5,679	100.0 %

Credit Quality of Agricultural Mortgage Loans

Information about the credit quality of agricultural mortgage loans is presented below at:

	March 31, 2013		December 31, 2012	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(In millions)		(In millions)	
Loan-to-value ratios:				
Less than 65%	$ 1,170	92.9 %	$ 1,184	94.0 %
65% to 75%	90	7.1	76	6.0
Total	$ 1,260	100.0 %	$ 1,260	100.0 %

The estimated fair value of agricultural mortgage loans was $1.3 billion at both March 31, 2013 and December 31, 2012.

Past Due and Interest Accrual Status of Mortgage Loans

The Company has a high quality, well performing, mortgage loan portfolio, with 99% of mortgage loans classified as performing at March 31, 2013 and all mortgage loans classified as performing at December 31, 2012. The Company defines delinquent mortgage loans consistent with industry practice, when interest and principal payments are past due as follows: commercial mortgage loans — 60 days; and agricultural mortgage loans — 90 days. The Company had no mortgage loans past due and one commercial mortgage loan in nonaccrual status with a recorded investment of $22 million at March 31, 2013. The Company had no mortgage loans past due and no loans in nonaccrual status at December 31, 2012.

Impaired Mortgage Loans

Information regarding impaired mortgage loans including those modified in a troubled debt restructuring, by portfolio segment, were as follows at:

	Loans with a Valuation Allowance				Loans without a Valuation Allowance		All Impaired Loans	
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Carrying Value	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Carrying Value
	(In millions)							
March 31, 2013:								
Commercial	$ 22	$ 22	$ 5	$ 17	$ 53	$ 50	$ 75	$ 67
December 31, 2012:								
Commercial	$ 76	$ 76	$ 11	$ 65	$ —	$ —	$ 76	$ 65

Unpaid principal balance is generally prior to any charge-offs.

The average recorded investment in impaired mortgage loans, including those modified in a troubled debt restructuring, and the related interest income, which is primarily recognized on a cash basis, by portfolio segment, was:

	Impaired Mortgage Loans	
	Average Recorded Investment	Interest Income
	(In millions)	
For the Three Months Ended March 31, 2013:		
Commercial	$ 74	$ 1
For the Three Months Ended March 31, 2012:		
Commercial	$ 30	$ 1

Mortgage Loans Modified in a Troubled Debt Restructuring

At March 31, 2013 and 2012, the Company had no mortgage loans modified during the period in a troubled debt restructuring.

During the three months ended March 31, 2013 and 2012, the Company had no mortgage loans with subsequent payment defaults that were modified in a troubled debt restructuring during the previous 12 months. Payment default is determined in the same manner as delinquency status — when interest and principal payments are past due as described above.

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 $894 million and $654 million at March 31, 2013 and December 31, 2012, respectively.

Net Unrealized Investment Gains (Losses)

The components of net unrealized investment gains (losses), included in AOCI, were as follows:

	March 31, 2013	December 31, 2012
	(In millions)	
Fixed maturity securities	$ 4,478	$ 5,019
Fixed maturity securities with noncredit OTTI losses in AOCI	(47)	(64)
Total fixed maturity securities	4,431	4,955
Equity securities	29	12
Derivatives	227	243
Short-term investments	(1)	(2)
Other	(14)	(17)
Subtotal	4,672	5,191
Amounts allocated from:		
Insurance liability loss recognition	(944)	(739)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	1	4
DAC and VOBA	(543)	(671)
Subtotal	(1,486)	(1,406)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	17	22
Deferred income tax benefit (expense)	(1,112)	(1,358)
Net unrealized investment gains (losses)	$ 2,091	$ 2,449

The changes in fixed maturity securities with noncredit OTTI losses included in AOCI were as follows:

	Three Months Ended March 31, 2013	Year Ended December 31, 2012
	(In millions)	
Balance, beginning of period	$ (64)	$ (125)
Noncredit OTTI losses and subsequent changes recognized (1)	7	(3)
Securities sold with previous noncredit OTTI loss	7	35
Subsequent changes in estimated fair value	3	29
Balance, end of period	$ (47)	$ (64)

(1) Noncredit OTTI losses and subsequent changes recognized, net of DAC, were $5 million for both the three months ended March 31, 2013 and year ended December 31, 2012.

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

	Three Months Ended March 31, 2013
	(In millions)
Balance, beginning of period	$ 2,449
Fixed maturity securities on which noncredit OTTI losses have been recognized	17
Unrealized investment gains (losses) during the period	(536)
Unrealized investment gains (losses) relating to:	
Insurance liability gain (loss) recognition	(205)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(3)
DAC and VOBA	128
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(5)
Deferred income tax benefit (expense)	246
Balance, end of period	$ 2,091
Change in net unrealized investment gains (losses)	$ (358)

Concentrations of Credit Risk

There were no investments in any counterparty that were greater than 10% of the Company's stockholders' equity, other than the U.S. government and its agencies, at both March 31, 2013 and December 31, 2012.

Securities Lending

The Company participates in a securities lending program. Elements of the securities lending program are presented below at:

	March 31, 2013	December 31, 2012
	(In millions)	
Securities on loan: (1)		
Amortized cost	$ 7,271	$ 6,154
Estimated fair value	$ 8,097	$ 7,339
Cash collateral on deposit from counterparties (2)	$ 8,274	$ 7,502
Security collateral on deposit from counterparties (3)	$ 22	$ 51
Reinvestment portfolio — estimated fair value	$ 8,357	$ 7,533

(1) Included within fixed maturity securities, short-term investments and equity securities.

(2) Included within payables for collateral under securities loaned and other transactions.

(3) Security collateral on deposit from counterparties may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements.

Invested Assets on Deposit and Pledged as Collateral

Invested assets on deposit and pledged as collateral are presented below at estimated fair value for cash and cash equivalents, short-term investments and fixed maturity securities and at carrying value for mortgage loans.

	March 31, 2013	December 31, 2012
	(In millions)	
Invested assets on deposit (regulatory deposits)	$ 58	$ 58
Invested assets pledged as collateral (1)	1,505	1,569
Total invested assets on deposit and pledged as collateral	$ 1,563	$ 1,627

(1) The Company has pledged fixed maturity securities, mortgage loans and cash and cash equivalents in connection with various agreements and transactions, including funding agreements (see Note 4 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report) and derivative transactions (see Note 5).

Variable Interest Entities

The Company has invested in certain structured transactions 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. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary. However, for VIEs that are investment companies or apply measurement principles consistent with those utilized by investment companies, the primary beneficiary is based on a risks and rewards model and is defined as the entity that will absorb a majority of a VIE's expected losses, receive a majority of a VIE's expected residual returns if no single entity absorbs a majority of expected losses, or both. The Company reassesses its involvement with VIEs on a quarterly basis. The use of different methodologies, assumptions and inputs in the determination of the primary beneficiary could have a material effect on the amounts presented within the consolidated financial statements.

Consolidated VIEs

The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at March 31, 2013 and December 31, 2012. 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.

	March 31, 2013	December 31, 2012
	(In millions)	
CSEs: (1)		
Assets:		
Mortgage loans (commercial mortgage loans)	$ 2,407	$ 2,666
Accrued investment income	11	13
Total assets	$ 2,418	$ 2,679
Liabilities:		
Long-term debt	$ 2,292	$ 2,559
Other liabilities	10	13
Total liabilities	$ 2,302	$ 2,572

(1) The Company consolidates former qualified special purpose entities ("QSPEs") that are structured as CMBS. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The Company's exposure was limited to that of its remaining investment in the former QSPEs of $100 million and $92 million at estimated fair value at March 31, 2013 and December 31, 2012, respectively. The long-term debt bears interest primarily at fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was $34 million and $43 million for the three months ended March 31, 2013 and 2012, respectively.

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:

	March 31, 2013		December 31, 2012	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured securities (RMBS, ABS and CMBS) (2)	$ 9,476	$ 9,476	$ 10,347	$ 10,347
U.S. and foreign corporate	632	632	651	651
Other limited partnership interests	1,502	2,008	1,408	1,930
Real estate joint ventures	68	72	71	74
Total	$ 11,678	$ 12,188	$ 12,477	$ 13,002

(1) The maximum exposure to loss relating to fixed maturity securities is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments of the Company. 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.

As described in Note 9, 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 during the three months ended March 31, 2013 and 2012.

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended March 31,	
	2013	**2012**
	(In millions)	
Investment income:		
Fixed maturity securities	$ 542	$ 533
Equity securities	2	2
FVO securities — FVO general account securities (1)	2	—
Mortgage loans	82	90
Policy loans	14	15
Real estate and real estate joint ventures	8	14
Other limited partnership interests	79	48
Cash, cash equivalents and short-term investments	2	1
International joint ventures	(10)	(1)
Other	—	1
Subtotal	721	703
Less: Investment expenses	28	24
Subtotal, net	693	679
FVO securities — FVO contractholder-directed unit-linked investments (1)	—	168
FVO CSEs — interest income:		
Commercial mortgage loans	37	45
Subtotal	37	213
Net investment income	$ 730	$ 892

(1) Changes in estimated fair value subsequent to purchase for securities still held as of the end of the respective periods included in net investment income were:

	Three Months Ended March 31,	
	2013	**2012**
	(In millions)	
FVO general account securities	$ —	$ 2
FVO contractholder-directed unit-linked investments	$ —	$ 113

See "— Variable Interest Entities" for discussion of CSEs.

See "— Related Party Investment Transactions" for discussion of affiliated net investment income and investment expenses.

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

The components of net investment gains (losses) were as follows:

	Three Months Ended March 31,	
	2013	**2012**
	(In millions)	
Total gains (losses) on fixed maturity securities:		
Total OTTI losses recognized — by sector and industry:		
U.S. and foreign corporate securities — by industry:		
Finance	$ (3)	$ (7)
Utility	—	(3)
Communications	—	(2)
Industrial	—	(1)
Total U.S. and foreign corporate securities	(3)	(13)
RMBS	(6)	(2)
OTTI losses on fixed maturity securities recognized in earnings	(9)	(15)
Fixed maturity securities — net gains (losses) on sales and disposals	73	15
Total gains (losses) on fixed maturity securities	64	—
Total gains (losses) on equity securities:		
Total OTTI losses recognized — by sector:		
Non-redeemable preferred stock	(3)	—
Common stock	—	(6)
OTTI losses on equity securities recognized in earnings	(3)	(6)
Equity securities — net gains (losses) on sales and disposals	3	1
Total gains (losses) on equity securities	—	(5)
FVO securities — FVO general account securities — changes in estimated fair value	—	1
Mortgage loans	(1)	4
Real estate and real estate joint ventures	(1)	(3)
Other limited partnership interests	—	1
Other investment portfolio gains (losses)	2	1
Subtotal — investment portfolio gains (losses)	64	(1)
FVO CSEs — changes in estimated fair value subsequent to consolidation:		
Commercial mortgage loans	(13)	6
Long-term debt — related to commercial mortgage loans	22	(2)
Non-investment portfolio gains (losses)	(7)	1
Subtotal FVO CSEs and non-investment portfolio gains (losses)	2	5
Total net investment gains (losses)	$ 66	$ 4

See "— Variable Interest Entities" for discussion of CSEs.

See "— Related Party Investment Transactions" for discussion of affiliated net investment gains (losses) related to transfers of invested assets to affiliates.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were ($6) million and $1 million for the three months ended March 31, 2013 and 2012, respectively.

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

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

	Three Months Ended March 31,					
	2013	2012	2013	2012	2013	2012
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 2,580	$ 1,915	$ 25	$ 21	$ 2,605	$ 1,936
Gross investment gains	$ 89	$ 37	$ 4	$ 5	$ 93	$ 42
Gross investment losses	(16)	(22)	(1)	(4)	(17)	(26)
Total OTTI losses recognized in earnings:						
Credit-related	(6)	(8)	—	—	(6)	(8)
Other (1)	(3)	(7)	(3)	(6)	(6)	(13)
Total OTTI losses recognized in earnings	(9)	(15)	(3)	(6)	(12)	(21)
Net investment gains (losses)	$ 64	$ —	$ —	$ (5)	$ 64	$ (5)

(1) Other OTTI losses recognized in earnings include impairments on (i) equity securities, (ii) perpetual hybrid securities classified within fixed maturity securities where the primary reason for the impairment was the severity and/or the duration of an unrealized loss position and (iii) fixed maturity securities where there is an intent to sell or it is more likely than not that the Company will be required to sell the security before recovery of the decline in estimated fair value.

Credit Loss Rollforward

The table below presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held for which a portion of the OTTI loss was recognized in other comprehensive income (loss) ("OCI"):

	Three Months Ended March 31,	
	2013	**2012**
	(In millions)	
Balance, beginning of period	$ 59	$ 55
Additions:		
Additional impairments — credit loss OTTI recognized on securities previously impaired	7	2
Reductions:		
Sales (maturities, pay downs or prepayments) during the period of securities previously impaired as credit loss OTTI	(6)	(1)
Increases in cash flows — accretion of previous credit loss OTTI	—	(6)
Balance, end of period	$ 60	$ 50

Related Party Investment Transactions

In the normal course of business, the Company transfers invested assets, primarily consisting of fixed maturity securities, to and from affiliates. Invested assets transferred to and from affiliates were as follows:

	Three Months Ended March 31,	
	2013	**2012**
	(In millions)	
Estimated fair value of invested assets transferred to affiliates	$ 13	$ —
Amortized cost of invested assets transferred to affiliates	$ 12	$ —
Net investment gains (losses) recognized on transfers	$ 1	$ —
Estimated fair value of invested assets transferred from affiliates	$ 6	$ —

The Company receives investment administrative services from an affiliate. The related investment administrative service charges were $17 million for both the three months ended March 31, 2013 and 2012.

As more fully described in Note 7 of the Notes of the Consolidated Financial Statements in the 2012 Annual Report, the Company has affiliated loans outstanding as noted below.

The Company has loans outstanding to wholly-owned real estate subsidiaries of an affiliate, Metropolitan Life Insurance Company ("MLIC"), which are included in mortgage loans. The carrying value of these loans was $305 million and $306 million at March 31, 2013 and December 31, 2012, respectively. The loans to affiliates are secured by interests in the real estate subsidiaries, which own operating real estate with a fair value in excess of the loans. Net investment income from these loans was $4 million for both the three months ended March 31, 2013 and 2012.

The Company has affiliated loans outstanding to MetLife, which are included in other invested assets, totaling $430 million at both March 31, 2013 and December 31, 2012. Net investment income from these loans was $6 million for both the three months ended March 31, 2013 and 2012.

5. Derivatives

Accounting for Derivatives

Freestanding Derivatives

Freestanding derivatives are carried in the Company's consolidated balance sheets either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. See "— Credit Risk on Freestanding Derivatives".

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 derivatives 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

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 net derivative gains (losses), consistent with the change in fair value of the hedged item attributable to the designated risk being hedged.
- 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)—effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the consolidated statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).

The change in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of operations within interest income or interest expense to match the location of the hedged item.

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 and the method that will be used to measure ineffectiveness. 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 and measurements of ineffectiveness 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 in the consolidated balance sheets 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 occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the consolidated 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 in the consolidated balance sheets 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 are recognized immediately in net derivative gains (losses).

In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value in the consolidated balance sheets, with changes in its estimated fair value recognized in the current period as net derivative gains (losses).

Embedded Derivatives

The Company purchases certain securities, issues certain insurance products 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 fair value with changes in 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 in the consolidated balance sheets 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 6 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 whose values are 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. The types of derivatives the Company uses include swaps, forwards, futures and option contracts. To a lesser extent, the Company uses credit default swaps to synthetically replicate investment risks and returns which are not readily available in the cash market.

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, caps, floors, 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 non-qualifying hedging relationships.

The Company purchases interest rate caps and floors 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, as well as to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level, respectively. 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 non-qualifying 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, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. 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 and to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance. The Company utilizes exchange-traded interest rate futures in non-qualifying hedging relationships.

Inflation swaps are used as an economic hedge to reduce inflation risk generated from inflation-indexed liabilities. Inflation swaps are included in interest rate swaps. The Company utilizes inflation swaps in non-qualifying hedging relationships.

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 hedging relationships.

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency swaps to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. 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 non-qualifying hedging relationships.

To a lesser extent, the Company uses foreign currency forwards in non-qualifying hedging relationships.

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 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, repudiation, moratorium, or involuntary restructuring. 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 non-qualifying 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. Treasury securities, agency securities or other fixed maturity securities. These credit default swaps are not designated as hedging instruments.

To a lesser extent, the Company uses credit forwards to lock in the price to be paid for forward purchases of certain securities. 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, variance swaps and exchange-traded equity futures.

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

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

To a lesser extent, the Company also uses total rate of return swaps (“TRRs”) to hedge its equity market guarantees in certain of its insurance products. The Company utilizes TRRs in non-qualifying hedging relationships.

Primary Risks Managed by Derivatives

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

		March 31, 2013			December 31, 2012		
		Notional	Estimated Fair Value		Notional	Estimated Fair Value	
	Primary Underlying Risk Exposure	Amount	Assets	Liabilities	Amount	Assets	Liabilities
		(In millions)					
Derivatives Designated as Hedging Instruments							
Fair value hedges:							
Interest rate swaps	Interest rate	$ 581	$ 22	$ 8	$ 538	$ 28	$ 9
Foreign currency swaps	Foreign currency exchange rate	122	—	22	122	—	14
Subtotal		703	22	30	660	28	23
Cash flow hedges:							
Interest rate swaps	Interest rate	598	70	—	658	99	—
Interest rate forwards	Interest rate	395	63	—	410	81	—
Foreign currency swaps	Foreign currency exchange rate	529	32	4	524	16	14
Credit forwards	Credit	5	—	—	—	—	—
Subtotal		1,527	165	4	1,592	196	14
Total qualifying hedges		2,230	187	34	2,252	224	37
Derivatives Not Designated or Not Qualifying as Hedging Instruments							
Interest rate swaps	Interest rate	20,709	1,169	390	16,869	1,254	513
Interest rate floors	Interest rate	15,136	273	234	15,136	318	274
Interest rate caps	Interest rate	8,231	12	—	9,031	11	—
Interest rate futures	Interest rate	2,559	—	—	2,771	—	7
Foreign currency swaps	Foreign currency exchange rate	871	65	27	811	60	35
Foreign currency forwards	Foreign currency exchange rate	57	1	—	139	—	4
Credit default swaps - purchased	Credit	210	—	3	162	—	2
Credit default swaps - written	Credit	2,408	24	—	2,456	23	1
Equity futures	Equity market	757	—	—	1,075	—	27
Equity options	Equity market	6,770	414	11	2,845	469	1
Variance swaps	Equity market	2,562	4	90	2,346	11	62
TRRs	Equity market	382	1	11	300	—	7
Total non-designated or non-qualifying derivatives		60,652	1,963	766	53,941	2,146	933
Total		$ 62,882	$ 2,150	$ 800	$ 56,193	$ 2,370	$ 970

Based on notional amounts, a substantial portion of the Company's derivatives was not designated or did not qualify as part of a hedging relationship as of March 31, 2013 and December 31, 2012. 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 that are used to synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these non-qualified derivatives, changes in market factors can lead to the recognition of fair value changes in the consolidated statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

Net Derivative Gains (Losses)

The components of net derivative gains (losses) were as follows:

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Derivatives and hedging gains (losses) (1)	$ (140)	$ (553)
Embedded derivatives	253	114
Total net derivative gains (losses)	$ 113	$ (439)

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and non-qualifying hedging relationships, which are not presented elsewhere in this note.

The following table presents earned income on derivatives:

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Qualifying hedges:		
Net investment income	$ 1	$ —
Interest credited to policyholder account balances	1	10
Non-qualifying hedges:		
Net derivative gains (losses)	16	8
Policyholder benefits and claims	(7)	—
Total	$ 11	$ 18

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The following table presents the amount and location of gains (losses) recognized in income for derivatives that were not designated or qualifying as hedging instruments:

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
		(In millions)	
For the Three Months Ended March 31, 2013:			
Interest rate derivatives	$ 22	$ —	$ 2
Foreign currency exchange rate derivatives	15	—	—
Credit derivatives - purchased	—	—	—
Credit derivatives - written	7	—	—
Equity derivatives	(201)	(2)	(34)
Total	$ (157)	$ (2)	$ (32)
For the Three Months Ended March 31, 2012:			
Interest rate derivatives	$ (275)	$ —	$ —
Foreign currency exchange rate derivatives	(7)	—	—
Credit derivatives - purchased	(10)	—	—
Credit derivatives - written	30	—	—
Equity derivatives	(291)	(1)	(30)
Total	$ (553)	$ (1)	$ (30)

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures.

(2) Changes in estimated fair value related to economic hedges of variable annuity guarantees included in future policy benefits.

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; and (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated liabilities.

The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net derivative gains (losses). The following table presents the amount of such net derivative gains (losses):

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
			(In millions)	
For the Three Months Ended March 31, 2013:				
Interest rate swaps:	Fixed maturity securities	$ 1	$ (1)	$ —
	Policyholder liabilities (1)	(7)	6	(1)
Foreign currency swaps:	Foreign-denominated PABs (2)	(7)	7	—
Total		$ (13)	$ 12	$ (1)
For the Three Months Ended March 31, 2012:				
Interest rate swaps:	Fixed maturity securities	$ —	$ —	$ —
	Policyholder liabilities (1)	(13)	12	(1)
Foreign currency swaps:	Foreign-denominated PABs (2)	12	(16)	(4)
Total		$ (1)	$ (4)	$ (5)

(1) Fixed rate liabilities reported in PABs or future policy benefits.

(2) Fixed rate or floating rate liabilities.

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; and (iv) interest rate swaps and interest rate forwards to hedge the forecasted purchases of fixed-rate investments.

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. For both the three months ended March 31, 2013 and 2012, there were no amounts reclassified from AOCI into net derivative gains (losses) related to such discontinued cash flow hedges.

At March 31, 2013 and December 31, 2012, 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 six years and seven years, respectively.

At March 31, 2013 and December 31, 2012, the balance in AOCI associated with cash flow hedges was $227 million and $243 million, respectively.

The following table presents the effects of derivatives in cash flow hedging relationships on the interim condensed consolidated statements of operations and comprehensive income and the interim condensed consolidated statements of stockholders' equity:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)		Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives
	(Effective Portion)	(Effective Portion)		(Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Net Derivative Gains (Losses)
		(In millions)		
For the Three Months Ended March 31, 2013:				
Interest rate swaps	$ (23)	$ (1)	$ —	$ —
Interest rate forwards	(15)	3	1	—
Foreign currency swaps	24	(1)	—	1
Total	$ (14)	$ 1	$ 1	$ 1
For the Three Months Ended March 31, 2012:				
Interest rate swaps	$ (34)	$ —	$ —	$ —
Interest rate forwards	(57)	—	—	1
Foreign currency swaps	(5)	1	—	—
Total	$ (96)	$ 1	$ —	$ 1

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

At March 31, 2013, $4 million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified to earnings within the next 12 months.

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 non-qualifying derivatives and derivatives for purposes other than hedging 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 $2.4 billion and $2.5 billion at March 31, 2013 and December 31, 2012, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current fair value of the credit default swaps. At March 31, 2013 and December 31, 2012, the Company would have received $24 million and $22 million, respectively, to terminate all of these contracts.

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:

Rating Agency Designation of Referenced Credit Obligations (1)	March 31, 2013 Estimated Fair Value of Credit Default Swaps	March 31, 2013 Maximum Amount of Future Payments under Credit Default Swaps (2)	March 31, 2013 Weighted Average Years to Maturity (3)	December 31, 2012 Estimated Fair Value of Credit Default Swaps	December 31, 2012 Maximum Amount of Future Payments under Credit Default Swaps (2)	December 31, 2012 Weighted Average Years to Maturity (3)
	(In millions)			(In millions)		
Aaa/Aa/A						
Single name credit default swaps (corporate)	$ 3	$ 157	2.9	$ 3	$ 167	3.2
Credit default swaps referencing indices	9	650	1.8	10	650	2.1
Subtotal	12	807	2.0	13	817	2.3
Baa						
Single name credit default swaps (corporate)	6	441	3.6	4	479	3.8
Credit default swaps referencing indices	5	1,124	5.3	5	1,124	4.8
Subtotal	11	1,565	4.8	9	1,603	4.5
B						
Single name credit default swaps (corporate)	—	—	—	—	—	—
Credit default swaps referencing indices	1	36	5.3	—	36	5.0
Subtotal	1	36	5.3	—	36	5.0
Total	$ 24	$ 2,408	3.9	$ 22	$ 2,456	3.8

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

(2) Assumes the value of the referenced credit obligations is zero.

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

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by 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 agreements and any collateral received pursuant to credit support annexes.

The Company manages its credit risk related to OTC derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company's OTC derivative transactions are generally 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. Substantially 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 derivatives. Because exchange-traded futures are effected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives. See Note 6 for a description of the impact of credit risk on the valuation of derivatives.

The estimated fair value of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

	March 31, 2013		December 31, 2012	
Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	(In millions)			
Gross estimated fair value of derivatives:				
Over-the-counter (1)	$ 2,211	$ 840	$ 2,436	$ 982
Exchange-traded	—	—	—	34
Total gross estimated fair value of derivatives (1)	2,211	840	2,436	1,016
Amounts offset in the consolidated balance sheets	—	—	—	—
Estimated fair value of derivatives presented in the consolidated balance sheets (1)	2,211	840	2,436	1,016
Gross amounts not offset in the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
Over-the-counter	(726)	(726)	(838)	(838)
Exchange-traded	—	—	—	—
Cash collateral: (3)				
Over-the-counter	(820)	—	(897)	—
Exchange-traded	—	—	—	(34)
Securities collateral: (4)				
Over-the-counter	(613)	(112)	(689)	(121)
Exchange-traded	—	—	—	—
Net amount after application of master netting agreements and collateral	$ 52	$ 2	$ 12	$ 23

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(1) At March 31, 2013 and December 31, 2012, derivative assets include income or expense accruals reported in accrued investment income or in other liabilities of $61 million and $66 million, respectively, and derivative liabilities include income or expense accruals reported in accrued investment income or in other liabilities of $40 million and $46 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 is included in cash and cash equivalents or in short-term investments, and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded derivatives and is included in premiums, reinsurance and other receivables in the consolidated balance sheets. 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 March 31, 2013 and December 31, 2012, the Company received excess cash collateral of $6 million and $0, respectively, and provided excess cash collateral of $65 million and $53 million, respectively, which is not included in the table above due to the foregoing limitation.

(4) Securities collateral received by the Company are held in separate custodial accounts and are not recorded on the consolidated balance sheets. Subject to certain constraints, the Company is permitted by contract to sell or repledge this collateral, but at March 31, 2013 none of the collateral had been sold or repledged. Securities collateral pledged by the Company is reported in fixed maturity securities in the consolidated balance sheets. Subject to certain constraints, the counterparties are permitted by contract to sell or repledge 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 March 31, 2013 and December 31, 2012, the Company received excess securities collateral of $19 million and $0, respectively, and provided excess securities collateral of $3 million and $0, respectively, for its OTC derivatives, which are not included in the table above due to the foregoing limitation. At both March 31, 2013 and December 31, 2012, the Company did not pledge any securities collateral for its exchange-traded derivatives.

The Company's collateral arrangements for its OTC derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the fair value of that counterparty's derivatives reaches a pre-determined threshold. Certain of these arrangements also include credit-contingent provisions that 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 the Company and/or the counterparty. In addition, certain 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 ratings 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.

The following table presents the estimated fair value of the Company's OTC derivatives that are 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. The table also presents the incremental collateral that the

Company would be required to provide if there was a one notch downgrade in the Company's credit rating at the reporting date or if the Company's credit rating sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position at the reporting date. Derivatives that are not subject to collateral agreements are not included in the scope of this table.

		Estimated Fair Value of Collateral Provided:	Fair Value of Incremental Collateral Provided Upon:	
	Estimated Fair Value of Derivatives in Net Liability Position (1)	Fixed Maturity Securities	One Notch Downgrade In the Company's Credit Rating	Downgrade in the Company's Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
	(In millions)			
March 31, 2013	$ 113	$ 115	$ —	$ 1
December 31, 2012	$ 143	$ 121	$ 2	$ 28

(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. These host contracts principally include: variable annuities with guaranteed minimum benefits, including GMWBs, guaranteed minimum accumulation benefits ("GMABs") and certain GMIBs; affiliated ceded reinsurance of guaranteed minimum benefits related to GMWBs, GMABs and certain GMIBs; affiliated assumed reinsurance of guaranteed minimum benefits related to GMWBs and certain GMIBs; funds withheld on ceded reinsurance; and certain debt and equity securities.

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	March 31, 2013	December 31, 2012
		(In millions)	
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$ 2,892	$ 3,551
Options embedded in debt or equity securities	Investments	(29)	(14)
Net embedded derivatives within asset host contracts		$ 2,863	$ 3,537
Net embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	PABs	$ 79	$ 705
Assumed guaranteed minimum benefits	PABs	—	4
Funds withheld on ceded reinsurance	Other liabilities	263	552
Net embedded derivatives within liability host contracts		$ 342	$ 1,261

The following table presents changes in estimated fair value related to embedded derivatives:

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Net derivative gains (losses) (1), (2)	$ 253	$ 114

(1) The valuation of direct and assumed guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment, were ($89) million and ($238) million for the three months ended March 31, 2013 and 2012, respectively. In addition, the valuation of ceded guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment, were $118 million and $331 million for the three months ended March 31, 2013 and 2012, respectively.

(2) See Note 10 for discussion of affiliated net derivative gains (losses) included in the table above.

The following table presents changes in estimated fair value related to embedded derivatives:

6. Fair Value

Considerable judgment is often required in interpreting market data 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.

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.

	March 31, 2013			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In millions)			
Assets:				
Fixed maturity securities:				
U.S. corporate	$ —	$ 17,390	$ 1,267	$ 18,657
U.S. Treasury and agency	5,749	4,884	—	10,633
Foreign corporate	—	8,403	786	9,189
RMBS	106	4,715	314	5,135
ABS	—	1,947	420	2,367
State and political subdivision	—	2,265	25	2,290
CMBS	—	1,868	106	1,974
Foreign government	—	1,053	2	1,055
Total fixed maturity securities	5,855	42,525	2,920	51,300
Equity securities:				
Common stock	79	88	26	193
Non-redeemable preferred stock	—	102	79	181
Total equity securities	79	190	105	374
FVO securities	—	9	—	9
Short-term investments (1)	624	1,264	396	2,284
Mortgage loans held by CSEs	—	2,407	—	2,407
Derivative assets: (2)				
Interest rate	—	1,484	125	1,609
Foreign currency exchange rate	—	98	—	98
Credit	—	16	8	24
Equity market	—	414	5	419
Total derivative assets	—	2,012	138	2,150
Net embedded derivatives within asset host contracts (3)	—	—	2,892	2,892
Separate account assets (4)	267	90,901	139	91,307
Total assets	$ 6,825	$ 139,308	$ 6,590	$ 152,723
Liabilities:				
Derivative liabilities: (2)				
Interest rate	$ —	$ 613	$ 19	$ 632
Foreign currency exchange rate	—	53	—	53
Credit	—	3	—	3
Equity market	—	21	91	112
Total derivative liabilities	—	690	110	800
Net embedded derivatives within liability host contracts (3)	—	—	342	342
Long-term debt of CSEs	—	2,292	—	2,292
Total liabilities	$ —	$ 2,982	$ 452	$ 3,434

	December 31, 2012			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In millions)			
Assets:				
Fixed maturity securities:				
U.S. corporate	$ —	$ 17,461	$ 1,434	$ 18,895
U.S. Treasury and agency	5,082	3,782	—	8,864
Foreign corporate	—	8,577	868	9,445
RMBS	—	5,460	278	5,738
ABS	—	1,910	343	2,253
State and political subdivision	—	2,304	25	2,329
CMBS	—	2,231	125	2,356
Foreign government	—	1,085	3	1,088
Total fixed maturity securities	5,082	42,810	3,076	50,968
Equity securities:				
Common stock	70	81	26	177
Non-redeemable preferred stock	—	47	93	140
Total equity securities	70	128	119	317
FVO securities	—	9	—	9
Short-term investments (1)	1,233	1,285	13	2,531
Mortgage loans held by CSEs	—	2,666	—	2,666
Derivative assets: (2)				
Interest rate	—	1,643	148	1,791
Foreign currency exchange rate	—	76	—	76
Credit	—	13	10	23
Equity market	—	469	11	480
Total derivative assets	—	2,201	169	2,370
Net embedded derivatives within asset host contracts (3)	—	—	3,551	3,551
Separate account assets (4)	201	85,772	141	86,114
Total assets	$ 6,586	$ 134,871	$ 7,069	$ 148,526
Liabilities:				
Derivative liabilities: (2)				
Interest rate	$ 7	$ 767	$ 29	$ 803
Foreign currency exchange rate	—	67	—	67
Credit	—	3	—	3
Equity market	27	8	62	97
Total derivative liabilities	34	845	91	970
Net embedded derivatives within liability host contracts (3)	—	—	1,261	1,261
Long-term debt of CSEs	—	2,559	—	2,559
Total liabilities	$ 34	$ 3,404	$ 1,352	$ 4,790

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

(2) Derivative assets are presented within other invested assets in the consolidated balance sheets and derivative liabilities are presented within other liabilities in the consolidated balance sheets. The amounts are presented

gross in the tables above to reflect the presentation in the consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables.

(3) Net embedded derivatives within asset host contracts are presented primarily within premiums, reinsurance and other receivables in the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented primarily within PABs and other liabilities in the consolidated balance sheets. At March 31, 2013, fixed maturity securities and equity securities also included embedded derivatives of $0 and ($29) million, respectively. At December 31, 2012, fixed maturity securities and equity securities included embedded derivatives of $0 and ($14) million, respectively.

(4) 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.

The following describes the valuation methodologies used to measure assets and liabilities at fair value. The description includes the valuation techniques and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy.

Investments

Valuation Controls and Procedures

On behalf of the Company and MetLife, Inc.'s Chief Investment Officer and Chief Financial Officer, a pricing and valuation committee that is independent of the trading and investing functions and comprised of senior management, provides oversight of control systems and valuation policies for securities, mortgage loans and derivatives. On a monthly basis, this committee reviews and approves new transaction types and markets, ensures that observable market prices and market-based parameters are used for valuation, wherever possible, and determines that judgmental valuation adjustments, when applied, are based upon established policies and are applied consistently over time. This committee also provides oversight of the selection of independent third party pricing providers and the controls and procedures to evaluate third party pricing. Periodically, the Chief Accounting Officer reports to MetLife Insurance Company of Connecticut's Audit Committee regarding compliance with fair value accounting standards.

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management's knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as "consensus pricing," represent a reasonable estimate of fair value by considering such pricing relative to the

Company's knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 7% of the total estimated fair value of Level 3 fixed maturity securities.

The Company also applies a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If prices received from independent pricing services are not considered reflective of market activity or representative of estimated fair value, independent non-binding broker quotations are obtained, or an internally developed valuation is prepared. Internally developed valuations of current estimated fair value, which reflect internal estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences in the estimated fair values for the majority of the portfolio; accordingly, overrides were not material. This is, in part, because internal estimates of liquidity and nonperformance risks are generally based on available market evidence and estimates used by other market participants. In the absence of such market-based evidence, management's best estimate is used.

Securities, Short-term Investments and Long-term Debt of CSEs

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 long-term debt of CSEs is determined on a basis consistent with the methodologies described herein for securities.

Level 2 Valuation Techniques and Key Inputs:

This level includes securities priced principally by independent pricing services using observable inputs. FVO securities and short-term investments within this level are of a similar nature and class to the Level 2 fixed maturity securities and equity securities.

U.S. corporate and foreign corporate securities

These securities are principally valued using the market and income approaches. Valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads off benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Privately placed securities are valued using matrix pricing methodologies using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer, and in certain cases, delta spread adjustments to reflect specific credit-related issues.

U.S. Treasury and agency securities

These securities are principally valued using the market approach. Valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques using standard market observable inputs such as a benchmark U.S. Treasury yield curve, the spread off the U.S. Treasury yield curve for the identical security and comparable securities that are actively traded.

Structured securities comprised of RMBS, ABS and CMBS

These securities are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques using standard market inputs, including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information, including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance and vintage of loans.

State and political subdivision and foreign government securities

These securities are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques using standard market observable inputs including benchmark U.S. Treasury yield or other yields, issuer ratings, broker-dealer quotes, issuer spreads and reported trades of similar securities, including those within the same sub-sector or with a similar maturity or credit rating.

Common and non-redeemable preferred stock

These securities are principally valued using the market approach. Valuations are based principally on observable inputs, including quoted prices in markets that are not considered active.

Level 3 Valuation Techniques and Key Inputs:

In general, securities classified within Level 3 use many of the same valuation techniques and inputs as described previously for Level 2. However, if key inputs are unobservable, or if the investments are less liquid and there is very limited trading activity, the investments are generally classified as Level 3. The use of independent non-binding broker quotations to value investments generally indicates there is a lack of liquidity or a lack of transparency in the process to develop the valuation estimates, generally causing these investments to be classified in Level 3.

Short-term investments within this level are of a similar nature and class to the Level 3 securities described below; accordingly, the valuation techniques and significant market standard observable inputs used in their valuation are also similar to those described below.

U.S. corporate and foreign corporate securities

These securities, including financial services industry hybrid securities classified within fixed maturity securities, are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques that utilize unobservable inputs or inputs that cannot be derived principally from, or corroborated by, observable market data, including illiquidity premium, delta spread adjustments to reflect specific credit-related issues, credit spreads; and inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2. Certain valuations are based on independent non-binding broker quotations.

Structured securities comprised of RMBS, ABS and CMBS

These securities are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads. Below investment grade securities, alternative residential mortgage loan RMBS and sub-prime RMBS included in this level are valued based on inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2. Certain of these valuations are based on independent non-binding broker quotations.

State and political subdivision and foreign government securities

These securities are principally valued using the market approach. Valuations are based primarily on independent non-binding broker quotations and inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2. Certain valuations are based on matrix pricing that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads.

Common and non-redeemable preferred stock

These securities, including privately held securities and financial services industry hybrid securities classified within equity securities, are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques using inputs such as comparable credit rating and issuance structure. Certain of these securities are valued based on inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 and independent non-binding broker quotations.

Mortgage Loans Held by CSEs

The Company consolidates certain securitization entities that hold mortgage loans.

Level 2 Valuation Techniques and Key Inputs:

These investments are principally valued using the market approach. The principal market for these investments is the securitization market. The Company uses the quoted securitization market price of the obligations of the CSEs to determine the estimated fair value of these commercial loan portfolios. These market prices are determined principally by independent pricing services using observable inputs.

Separate Account Assets

Separate account assets are carried at estimated fair value and reported as a summarized total on the consolidated balance sheets. The estimated fair value of separate account assets is based on the estimated fair value of the underlying assets. Separate account assets include: mutual funds, fixed maturity securities, equity securities, derivatives, other limited partnership interests, short-term investments and cash and cash equivalents.

Level 2 Valuation Techniques and Key Inputs:

These assets are comprised of investments that are similar in nature to the instruments described under "— Securities, Short-term Investments and Long-term Debt of CSEs." Also included are certain mutual funds without readily determinable fair values, as prices are not published publicly. Valuation of the mutual funds is based upon quoted prices or reported net asset value ("NAVs") provided by the fund managers.

Level 3 Valuation Techniques and Key Inputs:

These assets are comprised of investments that are similar in nature to the instruments described under "— Securities, Short-term Investments and Long-term Debt of CSEs." Also included are other limited partnership interests, which are valued giving consideration to the value of the underlying holdings of the partnerships and by applying a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables that may impact the exit value of the particular partnership interest.

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 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 valuation controls and procedures for derivatives are described in "— Investments."

The significant inputs to the pricing models for most OTC derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Significant inputs that are observable generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain OTC 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. Significant inputs that are unobservable generally include references to emerging market currencies and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility or other relevant market measure. 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.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC 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 derivatives using the standard swap curve which includes a spread to the risk free rate. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with the standard swap curve. As the Company and its significant derivative counterparties consistently execute trades at such pricing levels, 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.

Most inputs for OTC derivatives are mid-market inputs but, in certain cases, bid level inputs are used 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.

Freestanding Derivatives

Level 2 Valuation Techniques 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. These derivatives are principally valued using the income approach.

Interest rate

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve and London Inter-Bank Offered Rate ("LIBOR") basis curves.

Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves and interest rate volatility.

Foreign currency exchange rate

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves, currency spot rates and cross currency basis curves.

Credit

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, credit curves and recovery rates.

Equity market

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, spot equity index levels and dividend yield curves.

Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, spot equity index levels, dividend yield curves and equity volatility.

Level 3 Valuation Techniques and Key Inputs:

These 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. These valuation methodologies generally use the same inputs as described in the corresponding sections above 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.

Interest rate

Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve and LIBOR basis curves.

Credit

Non-option-based. Significant unobservable inputs may include credit spreads, repurchase rates and the extrapolation beyond observable limits of the swap yield curve and credit curves. Certain of these derivatives are valued based on independent non-binding broker quotations.

Equity market

Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves and equity volatility.

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees and embedded derivatives related to funds withheld on ceded reinsurance. 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 GMIBs are 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 PABs in the consolidated balance sheets.

The fair value of these embedded derivatives, 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, is calculated by the Company's actuarial department. The calculation is based on in-force business, and is performed using standard actuarial valuation software which projects 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'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 compared to MetLife.

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 assumed, from an affiliated insurance company, the risk associated with certain GMIBs. These embedded derivatives are included in other policy-related balances in the consolidated balance sheets with changes in estimated fair value reported in net derivative gains (losses). The value of the embedded derivatives on these assumed risks is determined using a methodology consistent with that described previously for the guarantees directly written by the Company.

The Company ceded, to an affiliated reinsurance company, the risk associated with certain of the GMIBs, GMABs and GMWBs described above that are also accounted for as embedded derivatives. In addition to ceding risks associated with guarantees that are accounted for as embedded derivatives, the Company also cedes, to the same affiliated reinsurance company, certain directly written GMIBs that are accounted for as insurance (i.e., not as embedded derivatives), but where the reinsurance agreement contains an embedded derivative. These embedded derivatives are included within premiums, reinsurance and other receivables in the consolidated balance sheets with changes in estimated fair value reported in net derivative gains (losses). 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 previously described in "— Investments — Securities, Short-term Investments and Long-term Debt of CSEs." The estimated fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities in 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.

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Techniques 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 curve, 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 curve 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.

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 any level are assumed to occur at the beginning of the period.

Transfers between Levels 1 and 2:

Transfers between Levels 1 and 2 were not significant for assets and liabilities measured at estimated fair value and still held at March 31, 2013 and 2012.

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.

Transfers into Level 3 for fixed maturity securities were due primarily to a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade) which have resulted in decreased transparency of valuations and an increased use of independent non-binding broker quotations and unobservable inputs, such as illiquidity premiums, delta spread adjustments, or credit spreads.

Transfers out of Level 3 for fixed maturity securities resulted primarily from increased transparency of both new issuances that, subsequent to issuance and establishment of trading activity, became priced by independent pricing services and existing issuances that, over time, the Company was able to obtain pricing from, or corroborate pricing received from, independent pricing services with observable inputs (such as observable spreads used in pricing securities) or increases in market activity and upgraded credit ratings.

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:

	Valuation Techniques	Significant Unobservable Inputs	March 31, 2013 Range			March 31, 2013 Weighted Average (1)	December 31, 2012 Range			December 31, 2012 Weighted Average (1)	Impact of Increase in Input on Estimated Fair Value (2)
Fixed maturity securities: (3)											
U.S. corporate and foreign corporate	• Matrix pricing	• Delta spread adjustments (4)	(50)	–	250	97	9	–	500	105	Decrease
		• Illiquidity premium (4)	30	–	30	30	30	–	30	30	Decrease
		• Credit spreads (4)	(125)	–	600	274	(157)	–	876	282	Decrease
		• Offered quotes (5)	93	–	115	107	100	–	100	100	Increase
	• Consensus pricing	• Offered quotes (5)	50	–	575	98	35	–	555	96	Increase
RMBS	• Matrix pricing and discounted cash flow	• Credit spreads (4)	13	–	2,366	312	40	–	2,367	436	Decrease (6)
	• Market pricing	• Quoted prices (5)	99	–	102	100	100	–	100	100	Increase (6)
CMBS	• Matrix pricing and discounted cash flow	• Credit spreads (4)	383	–	14,811	605	10	–	9,164	413	Decrease (6)
	• Market pricing	• Quoted prices (5)	11	–	104	99	100	–	104	102	Increase (6)
	• Consensus pricing	• Offered quotes (5)	109	–	109	109					Increase (6)
ABS	• Matrix pricing and discounted cash flow	• Credit spreads (4)	40	–	880	566	—	–	900	152	Decrease (6)
	• Market pricing	• Quoted prices (5)	—	–	105	101	97	–	102	100	Increase (6)
	• Consensus pricing	• Offered quotes (5)	51	–	111	100	50	–	111	100	Increase (6)
Derivatives:											
Interest rate	• Present value techniques	• Swap yield (7)	251	–	378		221	–	353		Increase (11)
Credit	• Present value techniques	• Credit spreads (8)	100	–	100		100	–	100		Decrease (8)
	• Consensus pricing	• Offered quotes (9)									
Equity market	• Present value techniques	• Volatility (10)	14%	–	24%		18%	–	26%		Increase (11)
Embedded derivatives:											
Direct and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates:									
		Ages 0 - 40	0%	–	0.10%		0%	–	0.10%		Decrease (12)
		Ages 41 - 60	0.05%	–	0.64%		0.05%	–	0.64%		Decrease (12)
		Ages 61 - 115	0.32%	–	100%		0.32%	–	100%		Decrease (12)
		• Lapse rates:									
		Durations 1 - 10	0.50%	–	100%		0.50%	–	100%		Decrease (13)
		Durations 11 - 20	3%	–	100%		3%	–	100%		Decrease (13)
		Durations 21 - 116	3%	–	100%		3%	–	100%		Decrease (13)
		• Utilization rates	20%	–	50%		20%	–	50%		Increase (14)
		• Withdrawal rates	0.07%	–	10%		0.07%	–	10%		(15)
		• Long-term equity volatilities	17.40%	–	25%		17.40%	–	25%		Increase (16)
		• Nonperformance risk spread	0.04%	–	0.59%		0.10%	–	0.67%		Decrease (17)

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(1) The weighted average for fixed maturity securities is determined based on the estimated fair value of the securities.

(2) The impact of a decrease in input would have the opposite impact on the estimated fair value.

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

(4) Range and, if applicable, weighted average are presented in basis points.

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

(6) Changes in the assumptions used for the probability of default is 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.

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

(8) Represents the risk quoted in basis points of a credit default event on the underlying instrument. The range being provided is a single quoted spread in the valuation model. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.

(9) At both March 31, 2013 and December 31, 2012, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.

(10) 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.

(11) Changes are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.

(12) 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.

(13) 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.

(14) The utilization rate assumption estimates the percentage of contract holders 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.

(15) 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.

(16) 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.

(17) 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.

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets and embedded derivatives within funds withheld related to certain ceded reinsurance, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. 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 valuation techniques and significant unobservable inputs used in the fair value measurement for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in "— Nonrecurring Fair Value Measurements."

The following tables summarize the change of all assets and (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Fixed Maturity Securities:						
	U.S. Corporate	Foreign Corporate	RMBS	ABS	State and Political Subdivision	CMBS	Foreign Government
	(In millions)						
Three Months Ended March 31, 2013:							
Balance, beginning of period	$ 1,434	$ 868	$ 278	$ 343	$ 25	$ 125	$ 3
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	3	—	—	—	—	—	—
Net investment gains (losses)	—	(3)	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—
OCI	28	6	8	—	—	2	(1)
Purchases (3)	47	40	35	116	—	14	—
Sales (3)	(45)	(42)	(10)	(11)	—	(30)	—
Issuances (3)	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—
Transfers into Level 3 (4)	95	9	8	—	—	14	—
Transfers out of Level 3 (4)	(295)	(92)	(5)	(28)	—	(19)	—
Balance, end of period	$ 1,267	$ 786	$ 314	$ 420	$ 25	$ 106	$ 2
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$ 3	$ —	$ —	$ —	$ —	$ —	$ —
Net investment gains (losses)	$ —	$ (3)	$ —	$ —	$ —	$ —	$ —
Net derivative gains (losses)	$ —	$ —	$ —	$ —	$ —	$ —	$ —

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)									
	Equity Securities:			Net Derivatives: (6)						
	Common Stock	Non-redeemable Preferred Stock	Short-term Investments	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)
					(In millions)				
Three Months Ended March 31, 2013:									
Balance, beginning of period	$ 26	$ 93	$ 13	$ 119	$ —	$ 10	$ (51)	$ 2,290	$ 141
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	—	—	—	(2)
Net derivative gains (losses)	—	—	—	5	—	(2)	(28)	254	—
OCI	—	4	—	(15)	—	—	—	—	—
Purchases (3)	—	—	393	—	—	—	—	—	—
Sales (3)	—	(18)	(10)	—	—	—	—	—	—
Issuances (3)	—	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	(3)	—	—	(7)	6	—
Transfers into Level 3 (4)	—	—	—	—	—	—	—	—	—
Transfers out of Level 3 (4)	—	—	—	—	—	—	—	—	—
Balance, end of period	$ 26	$ 79	$ 396	$ 106	$ —	$ 8	$ (86)	$ 2,550	$ 139
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net investment gains (losses)	$ —	$ (2)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net derivative gains (losses)	$ —	$ —	$ —	$ 5	$ —	$ (2)	$ (27)	$ 260	$ —

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Fixed Maturity Securities:							
	U.S. Corporate	U.S. Treasury and Agency	Foreign Corporate	RMBS	ABS	State and Political Subdivision	CMBS	Foreign Government
	(In millions)							
Three Months Ended March 31, 2012:								
Balance, beginning of period	$ 1,432	$ —	$ 580	$ 239	$ 220	$ 23	$ 147	$ 2
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	2	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	(2)	—	—	—	(1)	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
OCI	(17)	—	4	7	2	2	4	—
Purchases (3)	86	—	38	121	62	—	12	—
Sales (3)	(27)	—	(5)	(11)	(10)	—	(11)	—
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	22	—	15	—	—	—	1	—
Transfers out of Level 3 (4)	(5)	—	(8)	—	(17)	—	—	—
Balance, end of period	$ 1,493	$ —	$ 622	$ 356	$ 257	$ 25	$ 152	$ 2
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$ 2	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net investment gains (losses)	$ —	$ —	$ (2)	$ —	$ —	$ —	$ —	$ —
Net derivative gains (losses)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Equity Securities:			Net Derivatives: (6)					
	Common Stock	Non-redeemable Preferred Stock	Short-term Investments	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)
	(In millions)								
Three Months Ended March 31, 2012:									
Balance, beginning of period	$ 21	$ 76	$ 10	$ 174	$ —	$ (1)	$ 43	$ 1,032	$ 131
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	—	—	—	—	—	—
Net investment gains (losses)	—	(3)	—	—	—	—	—	—	19
Net derivative gains (losses)	—	—	—	(13)	—	10	(60)	112	—
OCI	2	19	—	(56)	—	—	—	—	—
Purchases (3)	—	—	10	—	—	—	—	—	—
Sales (3)	—	—	—	—	—	—	—	—	(1)
Issuances (3)	—	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	(10)	—	—	—	4	—
Transfers into Level 3 (4)	2	—	—	—	—	—	—	—	—
Transfers out of Level 3 (4)	—	—	—	—	—	—	—	—	—
Balance, end of period	$ 25	$ 92	$ 20	$ 95	$ —	$ 9	$ (17)	$ 1,148	$ 149
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net investment gains (losses)	$ —	$ (3)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net derivative gains (losses)	$ —	$ —	$ —	$ (11)	$ —	$ 10	$ (60)	$ 114	$ —

(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). Lapses associated with net embedded derivatives are included 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) Gains and losses, in net income (loss) and OCI, are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.

(5) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods.

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

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

(8) 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. For the purpose of this disclosure, these changes are presented within net investment gains (losses).

Fair Value Option

The following table presents information for certain assets and liabilities of CSEs, which are accounted for under the FVO. These assets and liabilities were initially measured at fair value.

	March 31, 2013	December 31, 2012
	(In millions)	
Assets: (1)		
Unpaid principal balance	$ 2,293	$ 2,539
Difference between estimated fair value and unpaid principal balance	114	127
Carrying value at estimated fair value	$ 2,407	$ 2,666
Liabilities: (1)		
Contractual principal balance	$ 2,198	$ 2,444
Difference between estimated fair value and contractual principal balance	94	115
Carrying value at estimated fair value	$ 2,292	$ 2,559

(1) These assets and liabilities are comprised of commercial mortgage loans and long-term debt. Changes in estimated fair value on these assets and liabilities and gains or losses on sales of these assets are recognized in net investment gains (losses). Interest income on commercial mortgage loans held by CSEs is recognized in net investment income. Interest expense from long-term debt of CSEs is recognized in other expenses.

Nonrecurring Fair Value Measurements

The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods presented; that is, they are not measured at fair value on a recurring basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The estimated fair values for these assets were determined using significant unobservable inputs (Level 3).

	Three Months Ended March 31,					
	2013			2012		
	Carrying Value Prior to Measurement	Carrying Value After Measurement	Gains (Losses)	Carrying Value Prior to Measurement	Carrying Value After Measurement	Gains (Losses)
	(In millions)					
Mortgage loans, net (1)	$ 17	$ 17	$ —	$ 8	$ 8	$ —
Other limited partnership interests (2)	$ 1	$ 1	$ —	$ 1	$ —	$ (1)
Real estate joint ventures (3)	$ 2	$ 1	$ (1)	$ 5	$ 2	$ (3)

(1) The carrying value after measurement has been adjusted for the excess of the carrying value prior to measurement over the estimated fair value. Estimated fair values for impaired mortgage loans are based on independent broker quotations or valuation models using unobservable inputs or, if the loans are in foreclosure or are otherwise determined to be collateral dependent, are based on the estimated fair value of the underlying collateral or the present value of the expected future cash flows.

(2) For these cost method investments, estimated fair value is determined from information provided in the financial statements of the underlying entities including NAV data. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international

leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments at both March 31, 2013 and 2012 were not significant.

(3) For these cost method investments, estimated fair value is determined from information provided in the financial statements of the underlying entities including NAV data. These investments include several real estate funds that typically invest primarily in commercial real estate. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next one to 10 years. Unfunded commitments for these investments at both March 31, 2013 and 2012 were not significant.

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 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 estimated fair value of the excluded financial instruments, which are primarily classified in Level 2 and, to a lesser extent, in Level 1, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the table below are not considered financial instruments subject to this disclosure.

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:

	March 31, 2013				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets:					
Mortgage loans, net	$ 6,494	$ —	$ —	$ 7,076	$ 7,076
Policy loans	$ 1,212	$ —	$ 863	$ 439	$ 1,302
Real estate joint ventures	$ 55	$ —	$ —	$ 98	$ 98
Other limited partnership interests	$ 94	$ —	$ —	$ 99	$ 99
Other invested assets	$ 429	$ —	$ 531	$ —	$ 531
Premiums, reinsurance and other receivables	$ 6,041	$ —	$ 65	$ 6,832	$ 6,897
Liabilities:					
PABs	$ 23,483	$ —	$ —	$ 25,245	$ 25,245
Long-term debt	$ 791	$ —	$ 1,094	$ —	$ 1,094
Other liabilities	$ 516	$ —	$ 359	$ 157	$ 516
Separate account liabilities	$ 1,363	$ —	$ 1,363	$ —	$ 1,363
Commitments: (1)					
Mortgage loan commitments	$ —	$ —	$ —	$ 2	$ 2
Commitments to fund bank credit facilities and private corporate bond investments	$ —	$ —	$ 9	$ —	$ 9

	December 31, 2012				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets:					
Mortgage loans, net	$ 6,491	$ —	$ —	$ 7,009	$ 7,009
Policy loans	$ 1,216	$ —	$ 861	$ 450	$ 1,311
Real estate joint ventures	$ 59	$ —	$ —	$ 101	$ 101
Other limited partnership interests	$ 94	$ —	$ —	$ 103	$ 103
Other invested assets	$ 432	$ —	$ 548	$ —	$ 548
Premiums, reinsurance and other receivables	$ 6,015	$ —	$ 86	$ 6,914	$ 7,000
Liabilities:					
PABs	$ 22,613	$ —	$ —	$ 24,520	$ 24,520
Long-term debt	$ 791	$ —	$ 1,076	$ —	$ 1,076
Other liabilities	$ 237	$ —	$ 81	$ 156	$ 237
Separate account liabilities	$ 1,296	$ —	$ 1,296	$ —	$ 1,296
Commitments: (1)					
Mortgage loan commitments	$ —	$ —	$ —	$ 1	$ 1
Commitments to fund bank credit facilities and private corporate bond investments	$ —	$ —	$ 6	$ —	$ 6

(1) Commitments are off-balance sheet obligations. Negative estimated fair values represent off-balance sheet liabilities. See Note 9 for additional information on these off-balance sheet obligations.

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of financial instruments are summarized as follows:

Mortgage Loans

The estimated fair value of mortgage loans is primarily determined by estimating expected future cash flows and discounting them using current interest rates for similar mortgage loans with similar credit risk.

Policy Loans

Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined using a discounted cash flow model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash flow estimates are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of policy loans and an estimated average maturity determined through experience studies of the past performance of policyholder repayment behavior for similar loans. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk as these loans are fully collateralized by the cash surrender value of the underlying insurance policy. Policy loans with variable interest rates are classified within Level 2 and the estimated fair value approximates carrying value due to the absence of borrower credit risk and the short time period between interest rate resets, which presents minimal risk of a material change in estimated fair value due to changes in market interest rates.

Real Estate Joint Ventures and Other Limited Partnership Interests

The estimated fair values of these cost method investments are generally based on the Company's share of the NAV as provided in the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments.

Other Invested Assets

These other invested assets are principally comprised of loans to affiliates. The estimated fair value of loans to affiliates is determined by discounting the expected future cash flows using market interest rates currently available for instruments with similar terms and remaining maturities.

Premiums, Reinsurance and Other Receivables

Premiums, reinsurance and other receivables are principally comprised of certain amounts recoverable under reinsurance agreements, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivatives and amounts receivable for securities sold but not yet settled.

Amounts recoverable under ceded reinsurance agreements, which the Company has determined do not transfer significant risk such that they are accounted for using the deposit method of accounting, have been classified as Level 3. The valuation is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using interest rates determined to reflect the appropriate credit standing of the assuming counterparty.

The amounts on deposit for derivative settlements, classified within Level 2, essentially represent the equivalent of demand deposit balances and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates carrying value.

PABs

These PABs include investment contracts. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are excluded from this caption in the preceding tables as they are separately presented in "— Recurring Fair Value Measurements."

The investment contracts primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts. The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.

Long-term Debt

The estimated fair value of long-term debt is principally determined using market standard valuation methodologies. Valuations are based primarily on quoted prices in markets that are not active or using matrix pricing that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duration, observable prices and spreads for similar publicly traded or privately traded issues.

Other Liabilities

Other liabilities consist primarily of interest payable, amounts due for securities purchased but not yet settled and funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are not materially different from the carrying values.

Separate Account Liabilities

Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment contracts.

Separate account liabilities classified as investment contracts primarily represent variable annuities with no significant mortality risk to the Company such that the death benefit is equal to the account balance and certain contracts that provide for benefit funding.

Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described in the section "— Recurring Fair Value Measurements," the value of those assets approximates the estimated fair value of the related separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described for separate account assets.

Mortgage Loan Commitments and Commitments to Fund Bank Credit Facilities and Private Corporate Bond Investments

The estimated fair values for mortgage loan commitments that will be held for investment and commitments to fund bank credit facilities and private corporate bonds that will be held for investment represent the difference between the discounted expected future cash flows using interest rates that incorporate current credit risk for similar instruments on the reporting date and the principal amounts of the commitments.

7. Equity

Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI was as follows:

	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Total
	(In millions)			
Balance at December 31, 2012	$ 2,291	$ 158	$ (49)	$ 2,400
OCI before reclassifications, net of income tax	(307)	(9)	(56)	(372)
Amounts reclassified from AOCI, net of income tax	(40)	(2)	—	(42)
Balance at March 31, 2013	$ 1,944	$ 147	$ (105)	$ 1,986

(1) See Note 4 for information on offsets to investments related to insurance liabilities and DAC and VOBA.

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

AOCI Components	Amounts Reclassified from AOCI	Statement of Operations and Comprehensive Income Location
	Three Months Ended March 31, 2013	
	(In millions)	
Net unrealized investment gains (losses):		
Net unrealized investment gains (losses)	$ 71	Other net investment gains (losses)
Net unrealized investment gains (losses)	3	Net investment income
OTTI	(7)	OTTI on fixed maturity securities
Net unrealized investment gains (losses), before income tax	67	
Income tax (expense) benefit	(27)	
Net unrealized investment gains (losses), net of income tax	$ 40	
Unrealized gains (losses) on derivatives - cash flow hedges:		
Interest rate swaps	$ (1)	Net derivative gains (losses)
Interest rate forwards	3	Net derivative gains (losses)
Interest rate forwards	1	Net investment income
Foreign currency swaps	(1)	Net derivative gains (losses)
Gains (losses) on cash flow hedges, before income tax	2	
Income tax (expense) benefit	—	
Gains (losses) on cash flow hedges, net of income tax	$ 2	
Total reclassifications, net of income tax	$ 42	

8. Other Expenses

Information on other expenses was as follows:

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Compensation	$ 89	$ 93
Commissions	193	280
Volume-related costs	18	59
Affiliated interest costs on ceded reinsurance	58	49
Capitalization of DAC	(154)	(277)
Amortization of DAC and VOBA	26	38
Interest expense on debt and debt issuance costs	51	60
Premium taxes, licenses and fees	13	24
Professional services	5	6
Rent	8	9
Other	101	116
Total other expenses	$ 408	$ 457

Affiliated Expenses

Commissions, capitalization of DAC and amortization of DAC include the impact of affiliated reinsurance transactions. See Note 10 for discussion of affiliated expenses included in the table above.

9. Contingencies, Commitments and Guarantees

Contingencies

Litigation

The Company is a defendant in a number of litigation matters. In some of the matters, 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.

Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time may normally be difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

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 some of the matters below. 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 estimated at March 31, 2013.

Matters as to Which an Estimate Can Be Made

For some of the matters discussed below, the Company is able to estimate a reasonably possible range of loss. For such matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. As of March 31, 2013, the aggregate range of reasonably possible losses in excess of amounts accrued for these matters was not material for the Company.

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.

Unclaimed Property Litigation and Inquiries

In 2012, MetLife, for itself and on behalf of entities including MetLife Insurance Company of Connecticut, reached agreements with representatives of the U.S. jurisdictions that were conducting audits of MetLife and certain of its affiliates for compliance with unclaimed property laws, and with state insurance regulators directly involved in a multistate targeted market conduct examination relating to claim-payment practices and compliance with unclaimed property laws. On December 28, 2012, the West Virginia Treasurer filed an action (*West Virginia ex rel. John D. Perdue v. MetLife Insurance Company of Connecticut, Circuit Court of Putnam County*), alleging that the Company violated the West Virginia Uniform Unclaimed Property Act, seeking to compel compliance with the Act, and seeking payment of unclaimed property, interest, and penalties. On November 14, 2012, the Treasurer filed a substantially identical suit against MLI-USA. At least one other jurisdiction is pursuing a market conduct examination. It is possible that other jurisdictions may pursue similar examinations, audits, or lawsuits and that such actions may result in additional payments to beneficiaries, additional escheatment of funds deemed abandoned under state laws, administrative penalties, interest, and/or further changes to the Company's procedures. The Company is not currently able to estimate these additional possible costs.

Sales Practices Claims and Regulatory Matters

The Company and certain of its affiliates have faced numerous claims, including class action lawsuits, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products. Regulatory authorities in a small number of states and the Financial Industry Regulatory Authority, and occasionally the SEC, have also conducted investigations or inquiries relating to sales of individual life insurance policies or annuities or other products issued by the Company. These investigations often focus on the conduct of particular financial service representatives and the sale of unregistered or unsuitable products or the misuse of client assets. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief, including restitution payments. The Company may continue to resolve investigations in a similar manner. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for sales practices matters.

Summary

Various litigation, claims and assessments against the Company, in addition to those discussed previously 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, employer, investor, investment advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to previously, large and/or indeterminate amounts, including punitive and treble damages, are sought. Although, in light of these considerations it is possible that an adverse outcome in certain cases could have a material effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, 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.

Commitments

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were $1.0 billion at both March 31, 2013 and December 31, 2012. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $194 million and $181 million at March 31, 2013 and December 31, 2012, respectively.

Commitments to Fund Bank Credit Facilities and Private Corporate Bond Investments

The Company commits to lend funds under bank credit facilities and private corporate bond investments. The amounts of these unfunded commitments were $101 million and $144 million at March 31, 2013 and December 31, 2012, respectively.

Other Commitments

The Company has entered into collateral arrangements with affiliates, which require the transfer of collateral in connection with secured demand notes. At both March 31, 2013 and December 31, 2012, the Company had agreed to fund up to $86 million of cash upon the request by these affiliates and had transferred collateral consisting of various securities with a fair market value of $104 million and $106 million at March 31, 2013 and December 31, 2012, respectively, to custody accounts to secure the demand notes. Each of these affiliates is permitted by contract to sell or repledge this collateral.

Guarantees

The Company has provided a guarantee on behalf of MetLife International Insurance Company, Ltd. ("MLII"), a former affiliate, that is triggered if MLII cannot pay claims because of insolvency, liquidation or rehabilitation. Life insurance coverage in-force, representing the maximum potential obligation under this guarantee, was $235 million at both March 31, 2013 and December 31, 2012. The Company does not hold any collateral related to this guarantee, but has a recorded liability of $1 million that was based on the total account value of the guaranteed policies plus the amounts retained per policy at both March 31, 2013 and December 31, 2012. The remainder of the risk was ceded to external reinsurers.

10. Related Party Transactions

Service Agreements

The Company has entered into various agreements with affiliates for services necessary to conduct its activities. Typical services provided under these agreements include management, policy administrative functions, personnel, investment advice and distribution services. For certain agreements, charges are based on various performance measures or activity-based costing. The bases for such charges are modified and adjusted by management when necessary or appropriate to reflect fairly and equitably the actual incidence of cost incurred by the Company and/or affiliate. Expenses and fees incurred with affiliates related to these agreements, recorded in other expenses, were $444 million and $439 million for the three months ended March 31, 2013 and 2012, respectively. Revenues received from affiliates related to these agreements, recorded in universal life and investment-type product policy fees, were $50 million and $42 million for the three months ended March 31, 2013 and 2012, respectively. Revenues received from affiliates related to these agreements, recorded in other revenues, were $46 million and $40 million for the three months ended March 31, 2013 and 2012, respectively.

The Company had net receivables from affiliates, related to the items discussed above, of $93 million and $107 million at March 31, 2013 and December 31, 2012, respectively. These amounts exclude affiliated reinsurance balances discussed below.

See Note 4 for additional information on related party transactions.

Related Party Reinsurance Transactions

The Company has reinsurance agreements with certain MetLife subsidiaries, including MLIC, MetLife Reinsurance Company of South Carolina, Exeter Reassurance Company Ltd., General American Life Insurance Company, MetLife Investors Insurance Company, MetLife Reinsurance Company of Vermont and MetLife Reinsurance Company of Delaware ("MRD"), all of which are related parties.

Information regarding the significant effects of affiliated reinsurance included in the interim condensed consolidated statements of operations and comprehensive income was as follows:

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Premiums:		
Reinsurance assumed	$ 4	$ 3
Reinsurance ceded	(147)	(92)
Net premiums	$ (143)	$ (89)
Universal life and investment-type product policy fees:		
Reinsurance assumed	$ 21	$ 21
Reinsurance ceded	(134)	(101)
Net universal life and investment-type product policy fees	$ (113)	$ (80)
Other revenues:		
Reinsurance assumed	$ —	$ —
Reinsurance ceded	92	67
Net other revenues	$ 92	$ 67
Policyholder benefits and claims:		
Reinsurance assumed	$ 3	$ 3
Reinsurance ceded	(193)	(133)
Net policyholder benefits and claims	$ (190)	$ (130)
Interest credited to policyholder account balances:		
Reinsurance assumed	$ 18	$ 18
Reinsurance ceded	(29)	(26)
Net interest credited to policyholder account balances	$ (11)	$ (8)
Other expenses:		
Reinsurance assumed	$ 9	$ 13
Reinsurance ceded	21	15
Net other expenses	$ 30	$ 28

Information regarding the significant effects of affiliated reinsurance included in the interim condensed consolidated balance sheets was as follows at:

	March 31, 2013		December 31, 2012	
	Assumed	Ceded	Assumed	Ceded
	(In millions)			
Assets:				
Premiums, reinsurance and other receivables	$ 35	$ 13,611	$ 35	$ 14,171
Deferred policy acquisition costs and value of business acquired	182	(642)	121	(642)
Total assets	$ 217	$ 12,969	$ 156	$ 13,529
Liabilities:				
Other policy-related balances	$ 1,606	$ 842	$ 1,592	$ 855
Other liabilities	14	4,480	10	4,894
Total liabilities	$ 1,620	$ 5,322	$ 1,602	$ 5,749

In October 2012, MLI-USA entered into a reinsurance agreement to cede two blocks of business to MRD, on a 90% coinsurance with funds withheld basis. This agreement covers certain term and certain universal life policies issued in 2012 by MLI-USA. This agreement transfers risk to MRD and, therefore, is accounted for as reinsurance. As a result of the agreement, affiliated reinsurance recoverables, included in premiums, reinsurance and other receivables, were $290 million and $407 million at March 31, 2013 and December 31, 2012, respectively. MLI-USA also recorded a funds withheld liability and other reinsurance payables, included in other liabilities, which were $172 million and $438 million at March 31, 2013 and December 31, 2012, respectively. Certain contractual features of this agreement qualify as embedded derivatives, which are separately accounted for at fair value on the Company's consolidated balance sheets. The embedded derivative related to this cession is included within other liabilities and was $6 million at both March 31, 2013 and December 31, 2012. For the three months ended March 31, 2013, the Company's consolidated statements of operations and comprehensive income reflects a loss for this agreement of $15 million.

The Company ceded risks to affiliates related to guaranteed minimum benefit guarantees written directly by the Company. These ceded reinsurance agreements contain embedded derivatives and changes in their fair value are also included within net derivative gains (losses). The embedded derivatives associated with the cessions are included within premiums, reinsurance and other receivables and were assets of $2.9 billion and $3.6 billion at March 31, 2013 and December 31, 2012, respectively. Net derivative gains (losses) associated with the embedded derivatives were ($748) million and ($1.0) billion for the three months ended March 31, 2013 and 2012, respectively.

MLI-USA ceded two blocks of business to an affiliate on a 90% coinsurance with funds withheld basis. Certain contractual features of this agreement qualify as embedded derivatives, which are separately accounted for at estimated fair value on the Company's consolidated balance sheets. The embedded derivative related to the funds withheld associated with this reinsurance agreement is included within other liabilities and increased the funds withheld balance by $257 million and $546 million at March 31, 2013 and December 31, 2012, respectively. Net derivative gains (losses) associated with the embedded derivatives were $289 million and $77 million for the three months ended March 31, 2013 and 2012, respectively.

11. Subsequent Event

In May 2013, MetLife Insurance Company of Connecticut paid an ordinary cash dividend to its stockholders of $624 million.

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

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Forward-Looking Statements and Other Financial Information

For purposes of this discussion, “MICC,” the “Company,” “we,” “our” and “us” refer to MetLife Insurance Company of Connecticut, a Connecticut corporation incorporated in 1863, and its subsidiaries, including MetLife Investors USA Insurance Company (“MLI-USA”). MetLife Insurance Company of Connecticut is a wholly-owned subsidiary of MetLife, Inc. (“MetLife”). Management’s narrative analysis of the results of operations is presented pursuant to General Instruction H(2)(a) of Form 10-Q. This narrative analysis should be read in conjunction with MetLife Insurance Company of Connecticut’s Annual Report on Form 10-K for the year ended December 31, 2012 (the “2012 Annual Report”), the forward-looking statement information included below, the “Risk Factors” set forth in Part II, Item 1A, and the additional risk factors referred to therein, and the Company’s interim condensed consolidated financial statements included elsewhere herein.

This narrative analysis may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results. Any or all forward-looking statements may turn out to be wrong. Actual results could differ materially from those expressed or implied in the forward-looking statements. See “Note Regarding Forward-Looking Statements.”

This narrative analysis includes references to our performance measure, operating earnings, that is not based on accounting principles generally accepted in the United States of America (“GAAP”). Operating earnings is the measure of segment profit or loss we use to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is our measure of segment performance. See “— Non-GAAP and Other Financial Disclosures” for definitions of such measures.

Business

MICC is organized into two segments: Retail and Corporate Benefit Funding. In addition, the Company reports certain of its results of operations in Corporate & Other. As anticipated, in the third quarter of 2012, MetLife and the Company continued to realign certain products and businesses among its existing segments, as well as Corporate & Other, to better conform to the way they manage and assess their respective businesses. As a result, MICC’s individual disability income products previously reported in Corporate & Other are now reported in the Retail segment. Prior period results have been revised in connection with this change, which did not have a significant impact on the segment and Corporate & Other results. 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 Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on the Company’s segments and Corporate & Other.

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 in the Interim Condensed Consolidated Financial Statements. The most critical estimates include those used in determining:

(i) liabilities for future policyholder 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 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 income taxes and the valuation of deferred tax assets; and

(viii) liabilities for litigation and regulatory matters.

In applying our accounting policies, we make subjective and complex judgments that frequently require estimates 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 above 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 2012 Annual Report.

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 MetLife’s and the Company’s business.

MetLife’s economic capital model aligns segment allocated equity with emerging standards and consistent risk principles. 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, operating earnings or net income (loss).

Results of Operations

Consolidated Results

We have experienced positive net flows in most of our businesses. The Company made additional changes to variable annuity guarantee features as we continued to manage sales volume, focusing on pricing discipline and risk management in this challenging economic environment. These actions, in combination with product changes made in 2012, resulted in a net decrease in sales of annuities of $1.4 billion, before income tax, or 40% compared to the prior period. The sustained low interest rate environment adversely impacted sales of our pension closeouts. While the premium for this business is almost entirely offset by the related change in policyholder benefits, the impact of current period deposits contributed to growth in our investment portfolio.

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Revenues		
Premiums	$ 151	$ 380
Universal life and investment-type product policy fees	564	544
Net investment income	730	892
Other revenues	157	123
Net investment gains (losses)	66	4
Net derivative gains (losses)	113	(439)
Total revenues	1,781	1,504
Expenses		
Policyholder benefits and claims	414	589
Interest credited to policyholder account balances	264	439
Capitalization of DAC	(154)	(277)
Amortization of DAC and VOBA	26	38
Interest expense on debt	51	60
Other expenses	485	636
Total expenses	1,086	1,485
Income (loss) before provision for income tax	695	19
Provision for income tax expense (benefit)	230	—
Net income (loss)	$ 465	$ 19

Three Months Ended March 31, 2013 Compared with the Three Months Ended March 31, 2012

During the three months ended March 31, 2013, income (loss) before provision for income tax, increased $676 million ($446 million, net of income tax) from the prior period primarily driven by favorable changes in net derivative gains (losses), operating earnings and net investment gains (losses).

We manage our investment portfolio using disciplined Asset/Liability Management 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 net 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 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. Other invested asset classes including, but not limited to, equity securities, other limited partnership interests and real estate and real estate joint ventures, provide additional diversification and opportunity for long-term yield enhancement in addition to supporting the cash flow and duration objectives of our investment portfolio. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currency exchange rates, credit spreads and equity market levels. Additional considerations for our investment portfolio include current and expected market conditions and expectations for changes within our specific mix of products and business segments. In addition, the general account investment portfolio includes, within fair value option securities, contractholder-directed unit-linked investments supporting unit-linked variable annuity type liabilities, which do not qualify as separate account assets. The returns on these contractholder-directed 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 ("PABs") through interest credited to policyholder account balances. During June 2012, the Company disposed of MetLife Europe Limited ("MetLife Europe"), which held these contractholder-directed unit-linked investments.

The composition of the investment portfolio of each business segment is tailored to the specific characteristics of its insurance liabilities, causing certain portfolios to be shorter in duration and others to be longer in duration. Accordingly, certain portfolios are more heavily weighted in longer duration, higher yielding fixed maturity securities, or certain sub-sectors of fixed maturity securities, than other portfolios.

Investments are purchased 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 both impairments and realized gains and losses on investments sold.

We use freestanding interest rate, equity, credit and currency derivatives to hedge certain invested assets and insurance liabilities. Certain 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.

Certain direct or assumed variable annuity products with minimum benefit guarantees 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). The Company hedges the market risks inherent in these variable annuity guarantees through a combination of reinsurance and freestanding derivatives. Ceded reinsurance of direct or assumed variable annuity products with minimum benefit guarantees generally 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). 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) but does not have an economic impact on the Company.

Direct, assumed, and ceded variable annuity embedded derivatives and associated freestanding derivative hedges are collectively referred to as "VA program derivatives" in the following table. All other derivatives that are economic hedges of certain invested assets and insurance liabilities are referred to as "non-VA program derivatives" in the following table. The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Non-VA program derivatives		
Interest rate	$ 64	$ (181)
Foreign currency exchange rate	15	(16)
Credit	13	24
Equity	—	—
Non-VA program embedded derivatives	287	80
Total non-VA program derivatives	379	(93)
VA program derivatives		
Embedded derivatives-direct/assumed guarantees:		
Market and other risks	802	1,276
Nonperformance risk	(89)	(238)
Total	713	1,038
Embedded derivatives-ceded reinsurance:		
Market and other risks	(865)	(1,335)
Nonperformance risk	118	331
Total	(747)	(1,004)
Freestanding derivatives hedging direct/assumed embedded derivatives	(232)	(380)
Total VA program derivatives	(266)	(346)
Net derivative gains (losses)	$ 113	$ (439)

The favorable change in net derivative gains (losses) on non-VA program derivatives was $472 million ($307 million, net of income tax). This was primarily due to long-term interest rates increasing less in the current period than in the prior period and favorably impacting receive-fixed interest rate swaps. The favorable change was also due to increasing forward United Kingdom inflation rates favorably impacting receive-float inflation swaps. These freestanding derivatives are primarily hedging long duration liability portfolios. 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 item being hedged. In addition, non-VA program embedded derivatives in affiliated ceded reinsurance written on a coinsurance with funds withheld basis were favorably impacted by changes in value of the underlying assets as well as by a current period refinement to the method in which the changes in fair value of the underlying assets in the reference portfolio are allocated to the embedded derivative.

The favorable change in net derivative gains (losses) on VA program derivatives was $80 million ($52 million, net of income tax). This was due to an unfavorable change of $213 million ($139 million, net of income tax) related to the nonperformance risk adjustment on the ceded variable annuity embedded derivatives, a favorable change of $149 million ($97 million, net of income tax) related to the nonperformance risk adjustment on the direct and assumed variable annuity embedded derivatives, and a favorable change of $144 million ($94 million, net of income tax) related to market and other risks on direct and assumed variable annuity embedded derivatives, net of the impact of market and other risks on the ceded reinsurance embedded derivatives and net of freestanding derivatives hedging those risks.

The $213 million ($139 million, net of income tax) unfavorable change in the nonperformance risk adjustment on the ceded variable annuity embedded derivatives from a gain of $331 million ($215 million, net of income tax) in the prior period to a gain of $118 million ($76 million, net of income tax) in the current period was due to the reinsurer's credit spread decreasing more significantly in the prior period than in the current period, as well as the impact of changes in the long-term risk free interest rate and key equity index levels. The $149 million ($97 million, net of income tax) favorable change in the nonperformance risk adjustment on the direct and assumed variable annuity embedded derivatives from a loss of $238 million ($155 million, net of income tax) in the prior period to a loss of $89 million ($58 million, net of income tax) in the current period was due to the Company's own credit spread decreasing more significantly in the prior period than in the current period, as well as the impact of changes in the long-term risk free interest rate and key equity index levels.

The Company calculates the nonperformance risk adjustment on the direct, assumed, and ceded variable annuity embedded derivatives as the change in the embedded derivative discounted at the risk adjusted rate (which includes credit spread) less the change in the embedded derivative discounted at the risk free rate.

When equity index levels decrease in isolation, the direct and assumed 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 on the direct and assumed variable annuity embedded derivatives. The opposite impact occurs with respect to the nonperformance risk adjustment on the ceded variable annuity guarantees.

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 rate, thus, creating a gain from including an adjustment for nonperformance risk on the direct and assumed variable annuity embedded derivatives. The opposite impact occurs with respect to the nonperformance risk adjustment on the ceded variable annuity guarantees.

When the Company's own credit spread increases in isolation, discounting the embedded derivative liability produces a lower valuation of the liability than if the own credit spread had remained constant. As a result, a gain is created from including an adjustment for nonperformance risk on the direct and assumed variable annuity embedded derivatives. The opposite impact occurs with respect to the nonperformance risk adjustment on ceded variable annuity guarantees when the reinsurer's credit spread increases in isolation. For each of these primary market drivers, the opposite effect occurs when they move in the opposite direction.

Generally, a higher portion of the ceded reinsurance for guaranteed minimum income benefits ("GMIBs") is accounted for as an embedded derivative as compared to the direct guarantees since the settlement provisions of the reinsurance contracts generally meet the accounting criteria of "net settlement." This mismatch in accounting can lead to significant volatility in earnings, even though the risks inherent in these direct guarantees are fully covered by the ceded reinsurance.

The foregoing favorable change of $144 million ($94 million, net of income tax) is comprised of a $148 million ($96 million, net of income tax) favorable change in freestanding derivatives that hedge market risks in embedded derivatives, which was partially offset by a $4 million ($2 million, net of income tax) unfavorable change in market risks in embedded derivatives. As discussed in the preceding paragraph, changes in market and other risks lead to volatility in earnings due to the mismatch in accounting on GMIBs.

The primary changes in market factors are summarized as follows:

- Long-term interest rates increased less in the current period than in the prior period, contributing to a favorable change in our ceded reinsurance assets and our freestanding derivatives and unfavorable changes in our direct and assumed embedded derivatives.
- Key equity index levels increased less in the current period than in the prior period, and equity volatility decreased less in the current period than in the prior period. These changes contributed to a favorable change in our ceded reinsurance assets and our freestanding derivatives and an unfavorable change in our direct and assumed embedded derivatives.

The favorable change in net investment gains (losses) of $62 million ($40 million, net of income tax) primarily reflects an increase in net gains on sales of fixed maturity securities in the current period.

Income tax expense for the three months ended March 31, 2013 was $230 million, or 33% of income (loss) before provision for income tax, compared with no income tax expense for the prior period. The Company's first quarter 2013 and 2012 effective tax rates differ from the U.S. statutory rate of 35% primarily due to non-taxable investment income and tax credits for investments in low income housing.

As more fully described in "— Non-GAAP and Other Financial Disclosures," we use operating earnings, which does not equate to net income, as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating 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. Operating earnings should not be viewed as a substitute for net income (loss). Operating earnings increased $92 million, net of income tax, to $326 million, net of income tax, in the first quarter of 2013 from $234 million, net of income tax, in the prior period.

Reconciliation of net income (loss) to operating earnings

	Three Months Ended March 31,	
	2013	**2012**
	(In millions)	
Net income (loss)	$ 465	$ 19
Less: Net investment gains (losses)	66	4
Less: Net derivative gains (losses)	113	(439)
Less: Other adjustments to net income (1)	38	120
Less: Provision for income tax (expense) benefit	(78)	100
Operating earnings	$ 326	$ 234

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

Reconciliation of GAAP revenues to operating revenues and GAAP expenses to operating expenses

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Total revenues	$ 1,781	$ 1,504
Less: Net investment gains (losses)	66	4
Less: Net derivative gains (losses)	113	(439)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(1)	(4)
Less: Other adjustments to revenues (1)	32	216
Total operating revenues	$ 1,571	$ 1,727
Total expenses	$ 1,086	$ 1,485
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(81)	(131)
Less: Other adjustments to expenses (1)	74	223
Total operating expenses	$ 1,093	$ 1,393

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

Consolidated Results – Operating

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
OPERATING REVENUES		
Premiums	$ 151	$ 380
Universal life and investment-type product policy fees	530	516
Net investment income	733	708
Other revenues	157	123
Total operating revenues	1,571	1,727
OPERATING EXPENSES		
Policyholder benefits and claims	363	548
Interest credited to policyholder account balances	266	285
Capitalization of DAC	(154)	(277)
Amortization of DAC and VOBA	116	179
Interest expense on debt	17	17
Other expenses	485	641
Total operating expenses	1,093	1,393
Provision for income tax expense (benefit)	152	100
Operating earnings	$ 326	$ 234

Three Months Ended March 31, 2013 Compared with the Three Months Ended March 31, 2012

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

The $92 million increase in operating earnings was primarily driven by positive net flows in most of our businesses and favorable market conditions, which increased our policy fees and net investment income, partially offset by less favorable mortality.

Higher asset-based fee revenue of $20 million was primarily the result of positive net flows in the current period for both variable annuities and universal life products. Reduced annuity sales in the current period resulted in lower DAC capitalization, which was offset by a decline in deferrable expenses. Positive net cash flows from the majority of our businesses resulted in an increase in invested assets which generated higher net investment income of $16 million. Increases in interest credited expense due to business growth in our Corporate Benefit Funding segment and our life business were entirely offset by a decrease in interest credited on deferred annuities as surrenders and withdrawals were greater than sales, resulting in negative net flows to the general account.

The improving equity market resulted in higher fee income from increased separate account balances and a decrease in variable annuity guaranteed minimum death benefit liabilities, which increased operating earnings by $30 million. As a result of a continuing low interest environment, average interest credited rates on corporate benefit products declined, increasing operating earnings by $10 million.

We experienced less favorable mortality primarily in our variable and universal life as well as our structured settlements businesses, which resulted in a $45 million decrease in operating earnings. DAC amortization decreased due to the continued favorable equity markets in the current period, partially offset by an increase due to growth in the business, resulting in a $26 million increase in operating earnings.

Refinements to DAC and certain insurance-related liabilities in both the current and prior periods resulted in a $15 million increase in operating earnings.

In June 2012, the Company distributed all of the issued and outstanding shares of common stock of its wholly-owned subsidiary, MetLife Europe, to its stockholders as an in-kind dividend. This transaction resulted in a $16 million increase in operating earnings in the current period compared to the prior period.

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

Operating earnings is defined as operating revenues less operating expenses, both net of income tax.

Operating revenues excludes net investment gains (losses) and net derivative gains (losses). Operating expenses excludes goodwill impairments.

The following additional adjustments are made to GAAP revenues, in the line items indicated, in calculating operating 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 GMIB fees ("GMIB Fees"); and

- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes certain amounts related to contractholder-directed unit-linked investments, and (iv) excludes certain amounts related to securitization entities that are variable interest entities ("VIEs") consolidated under GAAP.

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

- Policyholder benefits and claims excludes: (i) amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, (ii) benefits and hedging costs related to GMIBs ("GMIB Costs"), and (iii) market value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments");

- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of PABs but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;

- Amortization of DAC and 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;

- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

- Other expenses excludes costs related to implementation of new insurance regulatory requirements and acquisition and integration costs.

We believe the presentation of operating 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 our business. Operating revenues, operating expenses and operating earnings should not be viewed as substitutes for the following financial measures calculated in accordance with GAAP: GAAP revenues, GAAP expenses and net income (loss) respectively. Reconciliations of these measures to the most directly comparable GAAP measures are included in "— Results of Operations."

In this discussion, 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.

Subsequent Event

See Note 11 of the Notes to the Interim Condensed Consolidated Financial Statements.

Item 4. Controls and Procedures

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer 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 15d-15(f) during the quarter ended March 31, 2013 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

The following should be read in conjunction with (i) Part I, Item 3, of MetLife Insurance Company of Connecticut's Annual Report on Form 10-K for the year ended December 31, 2012, (the "2012 Annual Report") filed with the U.S. Securities and Exchange Commission ("SEC"); and (ii) Note 9 of the Notes to the Interim Condensed Consolidated Financial Statements in Part I of this report.

Unclaimed Property Litigation and Inquiries

In 2012, MetLife, for itself and on behalf of entities including MetLife Insurance Company of Connecticut, reached agreements with representatives of the U.S. jurisdictions that were conducting audits of MetLife and certain of its affiliates for compliance with unclaimed property laws, and with state insurance regulators directly involved in a multistate targeted market conduct examination relating to claim-payment practices and compliance with unclaimed property laws. On December 28, 2012, the West Virginia Treasurer filed an action (*West Virginia ex rel. John D. Perdue v. MetLife Insurance Company of Connecticut, Circuit Court of Putnam County*), alleging that the Company violated the West Virginia Uniform Unclaimed Property Act, seeking to compel compliance with the Act, and seeking payment of unclaimed property, interest, and penalties. On November 14, 2012, the Treasurer filed a substantially identical suit against MetLife Investors USA Insurance Company. At least one other jurisdiction is pursuing a market conduct examination. It is possible that other jurisdictions may pursue similar examinations, audits, or lawsuits and that such actions may result in additional payments to beneficiaries, additional escheatment of funds deemed abandoned under state laws, administrative penalties, interest, and/or further changes to the Company's procedures. The Company is not currently able to estimate these additional possible costs.

Sales Practices Claims and Regulatory Matters

The Company and certain of its affiliates have faced numerous claims, including class action lawsuits, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products. Regulatory authorities in a small number of states and the Financial Industry Regulatory Authority, and occasionally the SEC, have also conducted investigations or inquiries relating to sales of individual life insurance policies or annuities or other products issued by the Company. These investigations often focus on the conduct of particular financial service representatives and the sale of unregistered or unsuitable products or the misuse of client assets. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief, including restitution payments. The Company may continue to resolve investigations in a similar manner. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for sales practices matters.

Summary

Various litigation, claims and assessments against the Company, in addition to those discussed previously 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, employer, investor, investment advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to previously, large and/or indeterminate amounts, including punitive and treble damages, are sought. Although, in light of these considerations it is possible that an adverse outcome in certain cases could have a material effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, 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.

Item 1A. Risk Factors

The following should be read in conjunction with, and supplements and amends, the factors that may affect the Company's business or operations described under "Risk Factors" in Part I, Item 1A, of the 2012 Annual Report.

Economic Environment and Capital Markets-Related Risks

If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations

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 financial asset classes or various markets, including global capital markets, can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. Global market factors, including interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation can all affect our financial condition, as well as the volume, profitability and results of our business operations, either directly or by virtue of their impact on the business and economic environment generally and on general levels of economic activity, employment and customer behavior specifically. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our financial condition (including our liquidity and capital levels) as a result of mismatched impacts on the value of our assets and our liabilities. While our diversified business mix and geographically diverse business operations partially mitigate these risks, correlation across regions, countries and global market factors may reduce the benefits of diversification.

At times, throughout the past few years, volatile conditions have characterized financial markets, and not all global financial markets are functioning normally. Significant market volatility, and government actions taken in response, may exacerbate some of the risks we face. Concerns about economic conditions, capital markets and the solvency of certain European Union member states, including Portugal, Ireland, Italy, Greece and Spain ("Europe's perimeter region"), as well as Cyprus, their banking systems and of the financial institutions that have significant direct or indirect exposure to debt issued by these countries or significant exposure to their banking systems, have been a cause of elevated levels of market volatility. This market volatility affected the performance of various asset classes during 2012, and it could continue until there is an ultimate resolution of these sovereign debt and banking system-related concerns. Despite public and private support programs for Europe's perimeter region, concerns about sovereign debt sustainability subsequently expanded to other European Union member states. As a result, in late 2011 and early 2012, several other European Union member states experienced credit ratings downgrades or had their credit ratings outlook changed to negative. The financial markets have also been affected by concerns that one or more countries may exit the Euro zone. Any of these concerns could have significant adverse effects on the European and global economic and financial markets generally.

To the extent these uncertain financial market conditions persist, our revenues and net investment income are likely to remain under pressure. Similarly, sustained periods of low interest rates could cause our profit margins to erode. See "Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to

Significant Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary From Period to Period" included in the 2012 Annual Report. Also, in the event of extreme prolonged market events, such as the recent global credit crisis, we could incur significant capital and/or operating losses due to, among other reasons, losses incurred in our general account and as a result of the impact on us of guarantees and/or collateral requirements associated with affiliated captive reinsurers and other similar arrangements. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility.

We are a significant writer of variable insurance products and certain other products issued through separate accounts. The account values of these products decrease as a result of declining equity markets. Decreases in account values reduce fees generated by these products, cause the amortization of deferred policy acquisition costs to accelerate, could increase the level of insurance liabilities we must carry to support such products issued with any associated guarantees and could require us to provide additional funding to affiliated captive reinsurers.

In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our financial and insurance products could be adversely affected. Group insurance, in particular, is affected by higher unemployment rates. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Furthermore, our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Such adverse changes in the economy could negatively affect our earnings and have a material adverse effect on our business, results of operations and financial condition.

The recent financial crisis has precipitated, and may continue to raise the possibility of, legislative, judicial, regulatory and other governmental actions. See "— Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth," as well as "Risk Factors — Risks Related to Our Business — Competitive Factors May Adversely Affect Our Market Share and Profitability" included in the 2012 Annual Report.

Regulatory and Legal Risks

Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth

Insurance Regulation — U.S. Our insurance operations are subject to a wide variety of insurance and other laws and regulations. See "Business — Regulation — Insurance Regulation" included in the 2012 Annual Report.

State insurance regulators and the National Association of Insurance Commissioners ("NAIC") regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, that are made for the benefit of the consumer sometimes lead to additional expense for the insurer and, thus, could have a material adverse effect on our financial condition and results of operations. Recently, the NAIC and state insurance regulators have been scrutinizing insurance companies' use of affiliated captive reinsurers or off-shore entities to hedge and reinsure insurance risks. Like many life insurance companies, we utilize captive reinsurers to satisfy certain reserve requirements. If the insurance regulators in Connecticut or Delaware restrict the use of such captive reinsurers or if we are unable to continue to use existing captive reinsurers or use captive reinsurers in the future for any reason, our ability to write certain products, or to hedge the associated risks efficiently and/or our risk based capital ratios and ability to deploy excess capital, could be adversely affected or, as a result, we may need to increase prices on those products, which could adversely impact our competitive position and our results of operations. See "Business — Regulation — Holding Company Regulation — Insurance Regulatory Examinations" and Note 10 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

The NAIC is also reviewing life insurers' use of non-variable separate accounts that are insulated from general account claims, which might lead to a recommendation against the allowance of insulation for certain of our separate account products, particularly in the institutional markets. If the insurance regulators in Connecticut or Delaware change applicable laws or regulations in accordance with such recommendation, our use of insulation for certain products could be impaired and our ability to compete effectively or do business in certain markets may be adversely affected. In addition, our financial results may also be adversely affected. See "Business — Regulation — Holding Company Regulation — Insurance Regulatory Examinations" included in the 2012 Annual Report.

U.S. Federal Regulation Affecting Insurance. Currently, the U.S. federal government does not directly regulate the business of insurance. However, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") establishes the Federal Insurance Office within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as to collect information about the insurance industry and recommend prudential standards. See "Business — Regulation — Holding Company Regulation — Federal Initiatives" included in the 2012 Annual Report.

Federal legislation and administrative policies can significantly and adversely affect insurance companies, including policies regarding financial services regulation, securities regulation, derivatives regulation, pension regulation, health care regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct and indirect federal regulation of insurance have been proposed from time to time, including proposals for the establishment of an optional federal charter for insurance companies. Other aspects of our insurance operations could also be affected by Dodd-Frank. Under the so-called Volcker Rule, Dodd-Frank imposes additional capital requirements and quantitative limits on certain trading and activities by a non-bank systemically important financial institution ("non-bank SIFI"). MetLife, Inc. could be subject to such requirements and limits were it to be designated as a non-bank SIFI, which could adversely affect our competitive position. See "Business — Regulation — Potential Regulation of MetLife as a Non-Bank SIFI" included in the 2012 Annual Report.

Non-bank SIFIs and certain other large financial companies can be assessed under Dodd-Frank for any uncovered costs arising in connection with the resolution of a systemically important financial company and to cover the expenses of the Office of Financial Research, an agency established by Dodd-Frank to improve the quality of financial data available to policymakers and facilitate more robust and sophisticated analysis of the financial system.

Regulatory Agencies. Dodd-Frank established the Consumer Financial Protection Bureau ("CFPB"), which supervises and regulates institutions providing certain financial products and services to consumers. Although the consumer financial services to which this legislation applies exclude insurance business of the kind in which we engage, the CFPB has authority to regulate non-insurance consumer services provided by MetLife. See "Business — Regulation — Potential Regulation of MetLife as a Non-Bank SIFI — Consumer Protection Laws" included in the 2012 Annual Report.

In addition, MetLife, Inc.'s subsidiary, MetLife Bank, National Association, a federally chartered, non-deposit taking, uninsured bank, is principally regulated by the Office of the Comptroller of the Currency and the CFPB, and secondarily by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). While MetLife, Inc. has de-registered as a bank holding company, it may, in the future, be designated by the Financial Stability Oversight Council as a non-bank SIFI, and could once again be subject to regulation by the Federal Reserve Board. See "Business — Regulation — Potential Regulation of MetLife as a Non-Bank SIFI" and "Risk Factors — Regulatory and Legal Risks — Potential Regulation of MetLife As a Non-Bank SIFI Could Adversely Affect Our Ability to Compete and Our Business and Results of Operations" included in the 2012 Annual Report.

In the wake of the recent financial crisis, national and international authorities have also proposed various measures intended to increase the intensity of regulation of large financial institutions. These measures have included enhanced risk-based capital requirements, leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, and early remediation procedures, resolution and recovery planning, as well as greater coordination among regulators and efforts to harmonize regulatory regimes. The imposition of such measures could adversely affect our ability to conduct business, our results of operations and our ability to pay dividends, repurchase securities or engage in other transactions that could affect our capital. See "Business — Regulation" included in the 2012 Annual Report.

Regulation of Brokers and Dealers. Dodd-Frank also authorizes the SEC to establish a standard of conduct applicable to brokers and dealers when providing personalized investment advice to retail and other customers. This standard of conduct would be to act in the best interest of the customer without regard to the financial or other interest of the broker or dealer providing the advice. See "Business — Regulation — Securities, Broker-Dealer and Investment Adviser Regulation" and "Risk Factors — Regulatory and Legal Risks — Changes in U.S. Federal and State Securities Laws and Regulations, and State Insurance Regulations Regarding Suitability of Annuity Product Sales, May Affect Our Operations and Our Profitability" included in the 2012 Annual Report.

Employee Retirement Income Security Act of 1974 ("ERISA") Considerations. We provide products and services to certain employee benefit plans that are subject to ERISA or the Internal Revenue Code of 1986, as amended (the "Code"). Consequently, our activities are likewise subject to the restrictions imposed by ERISA and the Code, including the requirement that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and not cause a plan to engage in prohibited transactions with persons who have certain relationships with respect to those plans.

The prohibited transaction rules generally restrict the provision of investment advice to ERISA plans and participants and Individual Retirement Accounts ("IRAs") if the investment recommendation results in fees paid to the individual advisor, the firm or affiliate that vary according to the recommendation chosen. Recently adopted regulations in this area provide some relief from these investment advice restrictions. If additional relief is not provided, the ability of our affiliated broker-dealers and their registered representatives to provide investment advice to ERISA plans and participants and IRAs would likely be significantly restricted. Other proposed regulations in this area may negatively impact the current business model of our broker-dealers, including proposed changes to broaden the definition of "fiduciary" under ERISA, thereby increasing the regulation of persons providing investment advice to ERISA plans. See "Business — Regulation — Employee Retirement Income Security Act of 1974 ("ERISA") Considerations" included in the 2012 Annual Report.

International Regulation. Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate. The authority of our international operations to conduct business is subject to licensing requirements, permits and approvals, and these authorizations are subject to modification and revocation. See "Risk Factors — Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability" included in the 2012 Annual Report. Our international operations may be materially adversely affected by the actions and decisions of foreign authorities and regulators, such as any nationalization or expropriation of assets, the imposition of limits on foreign ownership of local companies, changes in laws (including tax laws and regulations), their application or interpretation, political instability, dividend limitations, price controls, changes in applicable currency, currency exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold to U.S. dollars or other currencies. This may also impact many of our customers and independent sales intermediaries. Changes in the laws and regulations that affect these customers and independent sales intermediaries also may affect our business relationships with them and their ability to purchase or distribute our products. Accordingly, these changes and actions may negatively affect our business in these jurisdictions. We expect the scope and extent of regulation outside of the U.S., as well as general regulatory oversight, to continue to increase. The regulatory environment in the countries in which we operate and changes in laws could have a material adverse effect on our results of operations. See “Risk Factors — Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability” included in the 2012 Annual Report.

We are also subject to the evolving Solvency II insurance regulatory directive for our insurance business throughout the European Economic Area, and may be subject to similar solvency regulations in other regions. As requirements are finalized by the regulators, capital requirements might be impacted in a number of jurisdictions. In addition, our legal entity structure throughout Europe may impact our capital requirements, risk management infrastructure and reporting by country.

General. From time to time, regulators raise issues during examinations or audits of us and regulated subsidiaries that could, if determined adversely, have a material impact on us. In addition, the interpretations of regulations by regulators may change and statutes may be enacted with retroactive impact, particularly in areas such as accounting or statutory reserve requirements. We are also subject to other regulations and may in the future become subject to additional regulations. See “Business — Regulation” included in the 2012 Annual Report. Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on our financial condition and results of operations.

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 Insurance Company of Connecticut and its subsidiaries, 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 Insurance Company of Connecticut and its subsidiaries may be found elsewhere in this Quarterly Report on Form 10-Q and MetLife Insurance Company of Connecticut's other public filings, which are available without charge through the SEC's website at www.sec.gov.)*

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

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 INSURANCE COMPANY OF CONNECTICUT

By: /s/ Peter M. Carlson

Name: Peter M. Carlson
Title: Executive Vice President, Finance Operations and Chief Accounting Officer (Authorized Signatory and Principal Accounting Officer)

Date: May 10, 2013

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