STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

METROPOLITAN LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 1998

DATE OF REPORT: **MARCH 1, 2000**

EXAMINER: **DANIEL GUMAER**

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

March 1, 2000

Honorable Neil D. Levin
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21322, dated October 20, 1998 and annexed hereto, a limited scope examination has been made into the condition and affairs of the Metropolitan Life Insurance Company, hereinafter referred to as "the Company" or "MetLife", at its home office located at 1 Madison Avenue, New York, New York 10010.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

This was a limited scope examination of the Metropolitan Life Insurance Company as of December 31, 1998 that included: 1) a review or audit of certain targeted balance sheet items and 2) a review or audit of certain market conduct activities of the Company. The examiner's review of a sample of transactions did not reveal any differences that materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 1998 filed statement. (See item 2 of this report)

The Company was licensed as a mutual life insurance company in 1842. On November 29, 1998, the Company announced that it would pursue converting to a stock company from a mutual company through demutualization under Section 7312 of the New York Insurance Law. On February 18, 2000, the Company's policyholders approved the plan to convert to a stock company. The Company is awaiting approval by the Superintendent of the final step in the demutualization process. During the period under examination, the following other significant events affecting the Company occurred: (1) In November 1993, February 1994 and November 1995, the Company issued $1.55 billion of 10, 20 and 30 year surplus notes at interest rates between 6.3% and 7.875%. (2) In 1994, MetLife merged its group health operations with The Travelers Insurance Company's (Travelers) health business, forming The MetraHealth Companies, Inc. (MetraHealth). (3) In 1995, MetLife and Travelers sold MetraHealth to the United HealthCare Corporation. (4) In 1995, MetLife announced that it would merge with The New England Mutual Life Insurance Company (TNE). The merger was completed in September 1996. (5) In 1997, MetLife made three acquisitions: Security First Group, Hyatt Legal Plans, Inc. and Bankers Trust Co.'s defined contribution record-keeping and participant services business. (6) In 1998, MetLife sold substantially all of its Canadian business to The Mutual Life Assurance Company of Canada. (7) In 2000, MetLife completed its acquisition of GenAmerica Corporation, parent company of General American Life Insurance Company.

The Company violated Section 215.17(a) of Department Regulation No. 34 and Section 219.5 (a) of Department Regulation No. 34A when it consistently failed to maintain a specimen copy of each advertisement, and/or a notation indicating its manner and extent of distribution. (See item 6A of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1993. This examination covers the period from January 1, 1994 through December 31, 1998. This was a limited scope examination which included: (1) a review or audit of certain targeted balance sheet items considered by this Department to require analysis, verification or description, (2) a review of certain market conduct activities of the Company and (3) a review or audit of the items noted in the following paragraph. The balance sheet items targeted for review were real estate and mortgages on real estate. The market conduct activities targeted for review were advertising, underwriting and treatment of policyholders. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 1998 but prior to the date of this report (i.e., the completion date of the examination).

The examiner utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Accounts and records
Financial statements

The examiner also reviewed the corrective actions taken by the Company with respect to violations, recommendations and/or comments contained in the prior report on examination. The results of the examiner's review are contained in item 7 of this report.

This report on examination is confined to comments on those matters which involve departures from laws, regulations, or rules or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of the State of New York on March 24, 1868, and commenced business on March 25, 1868. In 1915, the Company converted from a stock company to a mutual company, a company operated for the benefit of the policyholders.

In 1994, MetLife merged its group health operations with The Travelers Insurance Company's (Travelers) health business, forming The MetraHealth Companies, Inc. (MetraHealth). In 1995, MetLife and Travelers sold MetraHealth to the United HealthCare Corporation for $1.65 billion in cash and stock. However, MetLife retained the group health business for its own employees and for the employees of the New York State Employees' and Retirees' Empire Plan. The group health business retained by MetLife covers major medical claims.

In 1995, MetLife announced that it would merge with The New England Mutual Life Insurance Company (TNE). The merger was completed in September 1996. Under the provisions of the merger agreement, the assets and liabilities of TNE were merged into MetLife. However, TNE's subsidiary, New England Variable Life Insurance Company, has continued operations as a subsidiary of MetLife, under the new name of New England Life Insurance Company (NELIC). NELIC maintains operations in Boston, Massachusetts.

In 1997, MetLife acquired Bankers Trust Company's defined contribution record-keeping and participant services business. Also, in 1997, MetLife acquired an insurer, Security First Group, and the Hyatt Legal Plans, Inc.

In 1998, MetLife sold substantially all of its Canadian business to The Mutual Life Assurance Company of Canada for $850 million.

In 2000, MetLife completed its acquisition of GenAmerica Corporation, which is the parent company of General American Life Insurance Company.

In November 1993, February 1994 and November 1995, the Company issued $1.55 billion of surplus notes at interest rates between 6.3% and 7.875%. The notes issued in 1993 and 1994 were for 30 years. The notes issued in 1995 were for 10, 20 or 30 years. Interest accrues on these notes and is payable semi-annually. Each accrual and payment of interest on the notes may be made only with the prior approval of the Superintendent under the provisions of Section 1307 of the New York Insurance Law.

On November 29, 1998, MetLife announced that it would pursue conversion to a stock company from a mutual company through demutualization under Section 7312 of the New York Insurance Law. On February 18, 2000, the Company's policyholders approved the plan to convert to a stock company. The Company is awaiting approval by the Superintendent of the final step in the demutualization process.

B. <u>Holding Company</u>

As a mutual insurer, the Company is not part of a holding company system subject to the provisions of Article 15 of the New York Insurance Law. However, the Company maintains a multi-tiered downstream holding company system through which its subsidiary operations are conducted.

The Company has both insurance and non-insurance subsidiaries that market insurance and investment products in the United States and ten foreign countries. Insurance subsidiaries in the United States include: Metropolitan Insurance and Annuity Company, Metropolitan Property and Casualty Insurance Company, Metropolitan Tower Life Insurance Company, New England Life Insurance Company, Security First Life Insurance Company, and Texas Life Insurance Company. Non-insurance subsidiaries include: MetLife Funding, Inc., MetLife Securities, Inc., Nvest, L.P., State Street Research & Management Company, Hyatt Legal Plans, Inc., Farmers National Company, and SSR Realty Advisors, Inc. Through subsidiaries and joint ventures, the Company sells insurance in Argentina, Brazil, Hong Kong, Indonesia, Mexico, Portugal, South Korea, Spain, Taiwan and Uruguay.

C. <u>Management</u>

The Company's by-laws provide that the board of directors shall be comprised of not less than thirteen (13) and not more than thirty (30) directors, as may be determined from time to time by the board. The directors are divided into three classes, as nearly equal as may be, to be elected annually in consecutive years for a term of three years. The by-laws provide for the election of directors to be held annually at the home office of the Company on the second Tuesday in April. As of December 31, 1998, the board of directors consisted of sixteen (16) members. Meetings of the board are held monthly, unless the board shall direct otherwise.

The sixteen (16) board members and their principal business affiliation, as of December 31, 1998, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Curtis H. Barnette Bethlehem, PA	Chairman and Chief Executive Officer Bethlehem Steel Corporation	1994
Robert H. Benmosche New York, NY	Chairman of the Board, President and Chief Executive Officer Metropolitan Life Insurance Company	1997
Gerald Clark Madison, NJ	Vice–Chairman of the Board and Chief Investment Officer Metropolitan Life Insurance Company	1997
Joan Ganz Cooney New York, NY	Chairman Executive Committee Children's Television Workshop	1980
Burton A. Dole, Jr. Pauma Valley, CA	Retired Chairman, President and Chief Executive Officer Puritan Bennett	1996
James R. Houghton Corning, NY	Chairman of the Board Emeritus Corning Incorporated	1975
Harry P. Kamen New York, NY	Retired Chairman of the Board and Chief Executive Officer Metropolitan Life Insurance Company	1992
Helene L. Kaplan New York, NY	Of Counsel Skadden, Arps, Slate, Meagher & Flom	1987
Charles M. Leighton Bolton, MA	Retired Chairman and Chief Executive Officer CML Group, Inc.	1996
Allen E. Murray New York, NY	Retired Chairman of the Board and Chief Executive Officer Mobil Corporation	1983
Stewart G. Nagler Great Neck, NY	Vice Chairman of the Board and Chief Financial Officer Metropolitan Life Insurance Company	1997
John J. Phelan, Jr. Mill Neck, NY	Retired Chairman and Chief Executive Officer New York Stock Exchange, Inc.	1985

Name and Residence	Principal Business Affiliation	Year First Elected
Hugh B. Price New Rochelle, NY	President and Chief Executive Officer National Urban League, Inc.	1994
Robert G. Schwartz Skillman, NJ	Retired Chairman of the Board, President and Chief Executive Officer Metropolitan Life Insurance Company	1980
Ruth J. Simmons Northampton, MA	President Smith College	1995
William C. Steere, Jr. Rye, NY	Chairman of the Board and Chief Executive Officer Pfizer, Inc.	1997

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 1998:

Name	Title
Robert H. Benmosche	Chairman of the Board, President and Chief Executive Officer
Gerald Clark	Vice Chairman of the Board and Chief Investment Officer
Stewart G. Nagler	Vice Chairman of the Board and Chief Financial Officer
Gary A. Beller	Senior Executive Vice President and General Counsel
C. Robert Henrikson	Senior Executive Vice President
Catherine A. Rein	Senior Executive Vice President
William A. Toppeta	Senior Executive Vice President
John H. Tweedie	Senior Executive Vice President
Jeffrey J. Hodgman	Executive Vice President
Terence I. Lennon	Executive Vice President
David A. Levene	Executive Vice President
Judy E. Weiss	Executive Vice President and Chief Actuary
Jon Danski	Senior Vice President and Controller
William J. Wheeler	Senior Vice President and Treasurer
Louis Ragusa	Vice President and Secretary

James M. Benson became President of Individual Business in May 1999. C. Robert Henrickson became President of Institutional Business in May 1999. Catherine A. Rein became President and Chief Executive Officer of MetLife Auto and Home in March 1999. William A. Toppetta became President and Chief Administrative Office of Client Services in May 1999. Lisa M. Weber became an Executive Vice President in December 1999. Virginia M. Wilson replaced Jon Danski as Senior Vice President and Controller in October 1999. Gwenn L. Carr replaced Louis Ragusa as Secretary in January 2000.

Rebecca H. Greene, Assistant Vice President, Corporate Ethics and Compliance has been designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in all fifty states, the District of Columbia, Guam, Puerto Rico, the U. S. Virgin Islands and Canada.

4. SIGNIFICANT OPERATING RESULTS

The information contained in the following tables has been extracted from the Company's filed annual statements for the period under examination and has been subjected to a limited audit or review as indicated in the Scope of Examination. (See item 2 of this report) Failure of items to add is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	December 31, 1993	December 31, 1998	Increase (Decrease)
Admitted assets	$ 128,225,203,911	$178,136,086,780	$49,910,882,869
Liabilities	$ 121,819,418,504	$170,748,249,663	$48,928,831,159
Surplus notes	$ 700,000,000	$ 1,547,665,056	$ 847,665,056
Group life contingency reserve for Epidemics, etc.	630,810,000	937,299,000	306,489,000
Contingency reserve For separate accounts	750,000	0	(750,000)
Tax contingency reserve	0	49,269,818	49,269,818
Unassigned funds (surplus)	5,074,225,407	4,853,603,243	(220,622,164)
Total surplus	$ 6,405,785,407	$ 7,387,837,117	$ 982,051,710
Total liabilities and surplus	$ 128,225,203,911	$178,136,086,780	$49,910,882,869

The Company's invested assets as of December 31, 1998, exclusive of separate accounts, were mainly comprised of bonds (69.5%), mortgage loans (14.8%), real estate (5.6%), stocks (3.6%) and policy loans (3.5%).

The majority (91.2%) of the Company's bond portfolio as of December 31, 1998 was comprised of investment grade obligations.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	1994	1995	1996	1997	1998
Industrial	$ 64,982,036	$ 25,449,001	$ 78,510,133	$ 69,767,007	$ (40,899,125)
Ordinary:					
Life insurance	$ (96,752,355)	$(191,655,602)	$229,464,499	$ (33,641,089)	$(281,191,363
Individual annuities	41,554,211	8,365,877	153,304,681	72,053,660	147,347,691
Supplementary Contracts	14,788,352	7,899,099	18,497,271	30,149,603	42,739,766
Total ordinary	$ (40,409,792)	$(175,390,626)	$401,266,451	$ 68,562,174	$ (91,103,906)
Credit Life	$ 178,382	$ 189,780	$ 41,563	$ 146,626	$ (100,793)
Group:					
Life	$ 45,456,719	$ (73,910,149)	$199,728,306	$249,954,818	$ 74,194,780
Annuities	44,073,034	39,654,728	87,579,796	96,792,027	277,706,970
Total group	$ 89,529,753	$ (34,255,421)	$287,308,102	$346,746,845	$351,901,750
Accident and health:					
Group	$ 38,267,161	$ 377,725,669	$ (40,223,842)	$ (78,366,803)	$ (43,962,889)
Credit	11,690	717,646	704,681	951,612	(2,310,078)
Other	3,398,403	5,919,202	11,330,843	(17,422,696)	8,435,072
Total accident And health	$ 41,677,254	$ 384,362,517	$ (28,188,318)	$ (94,837,887)	$ (37,837,895)
All other lines	$ 3,799,493	$ 364,698	$ 3,698,928	$ 3,373,149	$ 1,957,490
Total	$159,757,126	$ 200,719,949	$742,636,859	$393,757,914	$183,917,521

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds as of December 31, 1998, as contained in the Company's filed 1998 annual statement, a condensed summary of operations and a reconciliation of the surplus account for each of the years 1994 through 1998 as extracted from the Company's filed annual statements for the period under examination. These financial statements have been subjected to a limited audit or review as indicated in the Scope of Examination. (See item 2 of this report)

A. ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 1998

Admitted Assets

Bonds	$ 83,190,998,209
Stocks:	
Preferred stocks	233,490,145
Common stocks	4,807,242,513
Mortgage loans:	
First liens	16,614,249,018
Other than first liens	37,048,485
Real estate:	
Properties occupied by the company	364,473,400
Properties acquired in satisfaction of debt	84,175,554
Investment real estate	5,737,877,832
Policy loans	5,005,616,511
Cash on hand and on deposit	(34,388,749)
Short term investments	2,190,112,340
Other invested assets	2,120,836,250
Receivable for securities	48,362,667
Deposits in connection with investments	16,494,015
Financial futures	9,266,394
Advances – mortgages	(4,251,989)
Reinsurance ceded:	
Amounts recoverable from reinsurers	59,090,305
Commissions and expense allowances due	6,873,005
Experience rating and other refunds due	24,990,241
Other amounts receivable under reinsurance contracts	(1,479,627)
Electronic data processing equipment	51,793,683
Guaranty funds receivable or on deposit	125,072,663
Life insurance premiums and annuity considerations	
Deferred and uncollected on in force business	1,286,976,704
Accident and health premiums due and unpaid	128,618,711
Investment income due and accrued	1,537,031,229
Receivable from parent, subsidiaries and affiliates	28,438,537
Amounts receivable relating to uninsured accident and health plans	11,185,779
Prepaid real estate taxes and expenses	2,301,202

Administrative service agreements fees due and unpaid	40,194,249
Other assets	911,117,190
Receivable from reinsurance	8,813,440
Value of company owned life insurance	49,715,898
Employee secured loans	30,370,592
Receivable for administration fees	3,076,673
Receivable for reinsurance reserve returned	701,200
From separate accounts statement	53,409,602,511
Total admitted assets	$ 178,136,086,780

Liabilities, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$ 80,295,078,012
Aggregate reserve for accident and health policies	2,854,728,051
Supplementary contracts without life contingencies	5,003,416,763
Policy and contract claims:	
Life	1,173,967,114
Accident and health	138,016,609
Policyholders' dividend and coupon accumulations	1,066,602,925
Policyholders' dividends and coupons due and unpaid	189,515,647
Provision for policyholders' dividends and coupons	
Payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	1,384,920,874
Dividends not yet apportioned	174,471,957
Premiums and annuity considerations received in advance	457,308,250
Liability for premium and other deposit funds:	
Policyholder premiums	3,645,446
Guaranteed interest contracts	9,325,598,790
Other contract deposit funds	1,504,535,340
Policy and contract liabilities:	
Surrender values on canceled policies	(8,545,949)
Other amounts payable on reinsurance	27,978,293
Interest maintenance reserve	1,430,885,290
Commissions to agents due or accrued	23,947,393
Commissions and expense allowances payable on reinsurance assumed	88,019
General expenses due or accrued	553,909,034
Transfers to separate accounts due or accrued	(326,380,820)
Taxes, licenses and fees due or accrued	76,429,525
Federal income taxes due or accrued	568,130,021
Cost of collection on premiums	
and annuity considerations deferred and uncollected	2,014,522
Unearned investment income	3,709,393
Amounts withheld or retained by company as agent or trustee	484,215,410
Amounts held for agents account	53,082,953
Remittances and items not allocated	46,206,022
Net adjustment in assets and liabilities due to foreign exchange rates	439,559,051
Liability for benefits for employees and agents	289,458,224
Borrowed money and interest thereon	3,196,363,560
Miscellaneous liabilities:	
Asset valuation reserve	3,322,627,878
Reinsurance in unauthorized companies	16,572,646

Funds held under reinsurance treaties with unauthorized reinsurers		7,790,680
Capital notes and interest thereon		165,146,662
Amounts held for deferred benefits		1,444,336,765
Contingency reserve for surplus notes		108,888,888
Other liabilities		92,616,902
Interest payable on surplus notes		4,462,500
Aviation reinsurance liability		3,401,000
FEGLI conversion pool funds		16,196,602
Miscellaneous liabilities		1,811,622,444
Deferred hedging		157,829,271
Deferred gain/loss on futures		3,345,894
Deferred gain/loss on real estate		27,030,996
Interest payable on claims and funds		258,554
Reserve for unclaimed funds		2,441,372
Short sales		240,021
Variable annuity mortality fluctuation reserve		10,249,814
Accrued withdrawals		(7,511,530)
From separate accounts statement		53,127,846,585
Total liabilities	$	170,748,249,663
Surplus notes	$	1,547,665,056
Group contingency life reserve for epidemics		937,299,000
Tax contingency reserve		49,269,818
Unassigned funds (surplus)		4,853,603,243
Total surplus and other funds	$	7,387,837,117
Total liabilities, surplus and other funds	$	178,136,086,780

B. CONDENSED SUMMARY OF OPERATIONS

	1994	1995	1996	1997	1998
Premiums and considerations	$ 22,829,562,808	$ 23,023,806,207	$ 24,161,910,279	$ 24,356,778,206	$ 27,169,307,091
Investment income	7,142,805,769	7,824,817,733	8,123,179,914	8,362,047,786	9,061,774,857
Net gain from operations from separate accounts	0	0	8,657,027	21,077,881	28,616,767
Commissions and reserve adjustments on reinsurance ceded	1,272,839	25,570,109	130,086,736	135,259,792	129,155,160
Miscellaneous income	9,291,954	57,898,088	(34,652,541)	(51,783,193)	161,671,829
Total income	$ 29,982,933,370	$ 30,932,092,137	$ 32,389,181,415	$ 32,823,380,471	$ 36,550,525,704
Benefit payments	$ 23,531,989,587	$ 25,054,293,106	$ 27,622,953,525	$ 29,301,320,869	$ 30,664,989,065
Increase in reserves	1,803,890,543	1,885,509,602	113,064,900	(1,278,361,478)	(5,625,088,321)
Commissions	397,564,489	525,785,990	457,065,203	407,066,783	418,313,036
General expenses and taxes	1,887,090,771	2,188,514,572	2,305,736,069	2,604,242,059	2,900,343,150
Increase in loading and cost of collection	11,226,597	14,022,143	(4,225,568)	(64,442,156)	(4,415,835)
Net transfers to (from) separate accounts	502,980,792	674,870,659	(27,447,359)	(848,277,566)	635,210,396
Miscellaneous deductions	(146,842,183)	(1,529,832,661)	(324,826,843)	484,852,440	6,001,106,549
Total deductions	$ 27,987,900,596	$ 28,813,163,411	$ 30,142,319,929	$ 30,606,400,955	$ 34,990,458,040
Net gain (loss)	$ 1,995,032,774	$ 2,118,928,726	$ 2,246,861,487	$ 2,216,979,516	$ 1,560,067,664
Dividends	1,675,877,891	1,520,276,157	1,764,224,984	1,772,571,259	1,710,694,440
Federal income taxes	159,397,757	397,932,620	(260,000,355)	50,650,342	(334,544,290)
Net gain (loss) from operations before net realized capital gains	$ 159,757,126	$ 200,719,949	$ 742,636,858	$ 393,757,915	$ 183,917,514
Net realized capital gains (losses)	(54,161,224)	(873,198,117)	(283,156,892)	195,318,332	691,381,463
Net income	$ 105,595,902	$ (672,478,168)	$ 459,479,966	$ 589,076,248	$ 875,298,977

C. SURPLUS ACCOUNT

	1994	1995	1996	1997	1998
Capital and surplus, December 31, prior year	$ 6,405,785,407	$ 6,304,270,950	$ 6,785,092,433*	$ 7,151,492,298	$ 7,377,763,499
Net income	$ 105,595,902	$ (672,478,168)	$ 459,479,966	$ 589,076,248	$ 875,298,977
Change in net unrealized capital gains (losses)	149,953,389	441,596,207	511,045,149	1,160,106,951	(1,022,306,535)
Change in non-admitted assets and related items	3,965,249	(54,384,398)	(11,480,689)	(18,017,949)	(69,140,062)
Change in liability for reins. in unauthorized companies	621,387	(891,286)	(449,184)	376,814	(13,375,664)
Change in reserve valuation basis	(3,065,761)	(5,623,662)	(106,910,568)	(94,955,636)	(232,007,451)
Change in asset valuation reserve	(430,810,825)	121,281,145	(596,466,619)	(1,179,011,499)	491,087,007
Surplus (contributed to) withdrawn from separate accounts statement	0	0	0	(106,332,329)	42,034,789
Other changes in surplus in separate accounts statement	(9,819,317)	214,886,168	(141,760,623)	0	(43,325,042)
Change in voluntary investment reserve	123,963,024	0	0	0	0
Change in amount held to comply with minimum reserve requirements for certain states	10,115,615	397,648	0	0	0
Income taxes and interest applicable to prior years	(5,911,905)	1,454,607	232,283,379	(356,992)	13,214,764
Separate accounts seed money	4,466,135	(197,728,570)	141,760,624	106,332,328	(42,034,789)
Surplus adjustments – Travelers	(48,720,693)	(213,230,275)	0	0	0
Other surplus adjustments	(1,866,657)	(75,347,474)	(82,381,175)	32,679,772	15,081,815
Change in surplus notes	0	700,000,000	18,009	31,978	0
Conforming adjustment mortgages	0	0	(32,339,254)	0	0
Group variable annuity mortality fluctuation reserve	0	0	(6,362)	(8,444)	0
Provision for policyholders' excess interest reserve	0	0	48,901	1,806,084	0
Reserve for interest guarantees and other fund deposits	0	0	(2,364,221)	15,717,874	0
Subsidiary adjustment	0	0	(4,063,670)	(4,723,040)	(4,454,190)
Miscellaneous	0	0	(13,799)	0	0
Cost of certain group insurance business acquired	0	0	0	(276,450,960)	0
Net change in capital and surplus	$ (101,514,457)	$ 259,931,942	$ 366,399,864	$ 226,271,200	$ 10,073,619
Capital and surplus, December 31, current year	$ 6,304,270,950	$ 6,564,202,892	$ 7,151,492,297	$ 7,377,763,497	$ 7,387,837,118

*The beginning surplus amount in 1996 includes the surplus of $220,889,541 received in the merger with New England Mutual Life Insurance Company.

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files.

Section 215.17 of Department Regulation No. 34, which pertains to advertisements of accident and health products, states in part:

> "Advertising file. (a) Each insurer shall maintain at its home or principal office a complete file containing every printed, published or prepared advertisement of its individual policies and typical printed published or prepared advertisements of its blanket, franchise and group policies hereafter disseminated in this or any other state whether or not licensed in such other state, with a notation attached to each such advertisement which shall indicate the manner and extent of distribution and the form number of any policy advertised..."

Section 219.5 of Department Regulation No. 34A, which pertains to advertisements of life and annuity products, states in part:

> "(a) Each insurer shall maintain at its home office a complete file containing a specimen copy of every printed, published or prepared advertisement hereafter disseminated in this state, with a notation indicating the manner and extent of distribution and the form number of any policy advertised. In order to be complete, the file must contain all advertisements whether used by the company, its agents or solicitors or other persons..."

Based on this review the examiner found that the Company consistently failed to maintain a specimen copy of each advertisement, and/or a notation indicating its manner and extent of distribution and thus violated Section 215.17(a) of Department Regulation No. 34 and Section 219.5(a) of Department Regulation No. 34A.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company in numerous instances, substantially violated Department Regulation No. 34A regarding its advertising practices. A review of a sample of the Company's advertising files revealed that the advertising practices were in compliance with Department Regulation No. 34A except as noted in item 6A of this report.
B	The Company was lax in implementing and overseeing its internal policies regarding compliance with Department Regulation No. 60 that deal with policy replacement standards. The examiner recommended that the Company diligently oversee its enhanced monitoring system to ensure curtailment of violations of Department Regulation No. 60. A review revealed that the Company put in place in its Johnstown, Pennsylvania facility, a multi faceted customer communication program. One part of the "Quality Assurance Program" is to monitor compliance with policy replacement standards. A review of the Company's internal policies failed to reveal any violations of Department Regulation No. 60.
C	The Company did not accurately file changes to a policy application form in order to fully comply with the provisions of Section 3201(b)(1) of the New York Insurance Law. A review of a sample of policy files failed to reveal any violations of Section 3201(b) of the New York Insurance Law.
D	The Company violated Section 4224 of the New York Insurance Law relative to information obtained from HIV positive applicants as regards said applicants' spouses and children. A review of a sample of underwriting files failed to reveal any violations of Section 4224 of the New York Insurance Law.
E	The Company violated Section 3201(b)(1) of the New York Insurance Law by

not filing its compensation plan for its mass merchandising sales force.

The Company filed with the Department its compensation plan for its mass merchandising sales force.

F The examiner recommended that the Company cease the use of a form approved for a subsidiary or file the form with the Department.

The Company discontinued the use of this form in 1994.

G The Company violated Section 3201(b)(2) of the New York Insurance Law by not filing various policy forms used at the Canadian home office.

The Company has ceased doing business in Canada.

H The examiner recommended that the Company implement procedures to ensure that proper interest calculations were made in reference to future death benefit claims.

A review of a sample of death benefit claims revealed that the Company has implemented and applied procedures that correctly calculate interest on death claims.

I The examiner recommended that the Company take steps to ensure that accurate and consistent descriptions of actual group policy benefits are maintained in all policy related materials.

A review of a sample of group policy files and related materials failed to reveal any inaccurate or inconsistent descriptions of actual group policy benefits.

J The Company violated Section 3221(a)(2) of the New York Insurance Law by effecting policy changes in group policies which were unsigned by the policyholder.

A review of a sample of group policy files failed to reveal any policy changes that were not signed by the policyholder.

K The Company violated Section 219.4(a)(1) of Department Regulation No. 34A by using misleading information in several of its advertisements.

A review of the Company's advertising files failed to reveal any violations for misleading information in its advertisements.

L The Company violated Section 4228 of the New York Insurance Law by paying additional compensation and prizes to its agency force based upon volume of new business.

The specific Company program that was used was discontinued in 1996.

M The Company violated Section 4228(d)(5) of the New York Insurance Law by using a plan of compensation for its agents that was disapproved by the Department.

The compensation plan was submitted to and approved by the Department in 1994.

N The Company violated Section 2114 (a)(1) of the New York Insurance Law by paying commissions to agents not licensed in New York.

The commissions in question related to a mass merchandising program where all sales personnel received as part of their compensation, a percentage of the first year pooled premiums for all policies whether written in New York or not. This program was discontinued in 1996.

O The Company violated Section 4216(e) and Section 4235(h)(1) and (2) of the New York Insurance Law by not filing its group incentive compensation plan with the Department.

The Company filed the appropriate plans with the Department.

P The Company violated Section 2112(a) and (d) of the New York Insurance Law by not filing with the Department a certificate of appointment or terminations notice for a number of its agents.

A review of the Company's files failed to reveal any appointment or termination notices that were not appropriately filed.

Q The examiner recommended that the Company effectuate a custodial agreement with a bank in which it maintained deposits of securities for a separate account.

The Company has effectuated a custodial agreement with the bank in question.

R The examiner recommended that the Company take the necessary steps to correctly report its admitted asset for electronic data processing equipment.

The Company took the necessary steps to correctly report this admitted asset.

S The examiner recommended that the Company maintain policy loan source documentation for the period under examination until such report is filed.

A review of policy files failed to reveal any instances where policy loan source documentation was not maintained.

8. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

Item	Description	Page No.
A	The Company violated Section 215.17(a) of Department Regulation No. 34 and Section 219.5(a) of Department Regulation No. 34A when it consistently failed to maintain a specimen copy of each advertisement, and/or a notation indicating its manner and extent of distribution.	16

Respectfully submitted,

/s/
Daniel Gumaer
Associate Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Daniel Gumaer, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Daniel Gumaer

Subscribed and sworn to before me

this__________ day of ___________________

Appointment No. 21322

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, NEIL D. LEVIN, *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

DANIEL GUMAER

as proper person to examine into the affairs of the

Metropolitan Life Insurance Company

and to make a report to me in writing of the condition of the said

Company

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York,

this 20th *day of* October 1998

NEIL D. LEVIN
Superintendent of Insurance

(by) ~~Deputy~~ Superintendent