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annual report to policyholders

for the year ended december 31, 1968

Metropolitan Life

Policyholder 1969

Metropolitan Life

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To Metropolitan Policyholders:

Metropolitan Life Insurance Company observed its 100th birthday on March 24, 1968, and recognition was given to the fact that, by all the customary standards, 1967, its 100th year, was the "best year of all." We are especially pleased, therefore, to report that 1968, the first year of the Company's second century of operation, was even better. New highs were attained in:

- benefit payments to policyholders and beneficiaries;
- the yield on new investments;
- the sale of life insurance to individuals;
- the sale of annuities to individuals;
- the number of people insured by Metropolitan;
- the amount of personal and group life insurance in force.

While we think the foregoing are important indications of the vigor of the Company and the scope of its many insurance services, there were other developments which, while not readily measurable, were also of significance, particularly as we look toward the future. Changes in the organization of the sales force and in important units in the Home Office added noticeably to our capacity to market our insurance coverages and to administer them satisfactorily. Supplementing these were further advances in the application of electronic data processing equipment in the work of the Company. We are confident that these various moves will be effective in improving the quality of Metropolitan services and in combating forces which tend to lead toward higher costs.

Altogether, 1968 was a year of action on many fronts. Reference can be made to only a few highlights:

• We tried to speak and act on behalf of restraint against inflationary forces which have been rampant.

• We intensified our activities to help alleviate the problems of the cities and fulfilled commitments for Metropolitan's share of the life insurance industry's $1 billion program. In order to deal with these matters in a more organized and effective way we created a new Department of Urban Affairs.

• We agreed on a new contract with the negotiating committee of the union representing some of the Company's Agents, but it was rejected by a narrow majority of the members who voted. A strike ensued and lasted for 10 weeks before a settlement was reached.

• We continued a deep involvement in the field of health insurance by meeting with various interested groups to probe for ways and means to dampen the upward spiral of medical care costs without adversely affecting the quality of care. In line with this, we financially supported the first phase of an experimental demonstration project on providing medical care, conducted by Washington University School of Medicine in St. Louis.

We wish to acknowledge the important contribution made by the many thousands of Metropolitan men and women throughout the United States and Canada, as well as those in our Home Office and Head Offices. Their support and cooperation are deeply appreciated. Metropolitan employees continue to be a highly constructive force in the Company's efforts to expand and improve the scope of its services.

Charles A Siegfried
President

George P. Jenkins
Chairman of the Finance Committee

Gilbert W. Fitzhugh
Chairman of the Board

Metropolitan Life

Board of Directors

Amory Houghton, Corning, N.Y.
Honorary Chairman of the Board,
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Philip D. Reed, New York, N.Y.

Juan T. Trippe, New York, N.Y.
Honorary Chairman of the Board,
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Retired *Chairman of the Board,*
Monsanto Company

W. Earle McLaughlin, Montreal, Canada
Chairman and President,
The Royal Bank of Canada

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Chairman of the Board,
Metropolitan Life Insurance Company

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Retired *Executive Vice-President,*
Metropolitan Life Insurance Company

Birny Mason, Jr., New York, N.Y.
Chairman of the Board,
Union Carbide Corporation

Donald P. Kircher, New York, N.Y.
President and Chairman of the Board,
The Singer Company

George P. Jenkins, New York, N.Y.
Chairman of the Finance Committee,
Metropolitan Life Insurance Company

Lewellyn A. Jennings, Washington, D.C.
Chairman of the Board,
The Riggs National Bank

Albert L. Nickerson, New York, N.Y.
Chairman of the Board,
Mobil Oil Corporation

Thomas F. Patton, Cleveland, Ohio
Chairman,
Republic Steel Corporation

Gerald A. Sivage, Chicago, Ill.
President, Marshall Field & Company

Emmett G. Solomon, San Francisco, Calif.
Chairman, Crocker-Citizens National Bank

John D. Harper, Pittsburgh, Pa.
President, Aluminum Company of America

Ben W. Heineman, Chicago, Ill.
President, Northwest Industries, Inc.

Charles A. Siegfried, New York, N.Y.
President, Metropolitan Life Insurance Company

Significant Facts

Payments to policyholders and beneficiaries reached a new record high of $2,825,384,732. This averaged $26,450 a minute each business day. The overall figure includes:

Death benefits	$898,368,092
Payments to living policyholders, excluding dividends	
Under life insurance policies	734,350,455
Under health insurance policies	597,595,605
Dividends to policyholders	595,070,580

- Total life insurance issued amounted to $12,494,228,411, made up of $8,832,101,690 in personal insurance and $3,662,126,721 in group insurance.

- Metropolitan had more life insurance in force than any other company: it totalled $147,542,400,955, made up of $77,572,477,004 of personal and $69,969,923,951 of group life insurance.

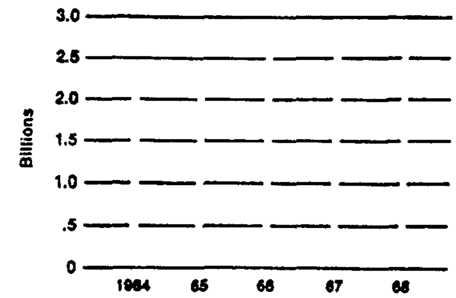
- Total assets held for the benefit of policyholders amounted to $25,840,125,786 – a new high.

- Net rate earned on assets rose 16 points, from 4.89% to 5.05%.

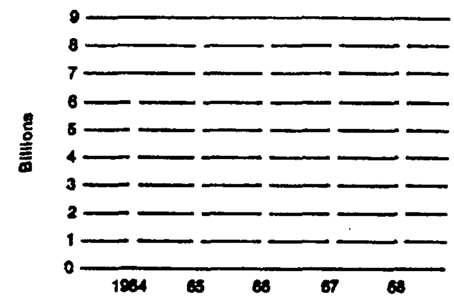
- At the year-end, a total of 38,800,000 people were covered by Metropolitan life insurance, and a total of 16,300,000 were covered by health insurance.

- The number of people protected by some form of Metropolitan insurance, excluding duplications in coverage, is estimated at 48,100,000, approximately one out of every five persons in the United States and Canada.

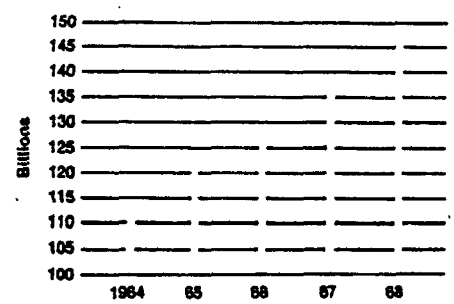
Payments to Policyholders and Beneficiaries



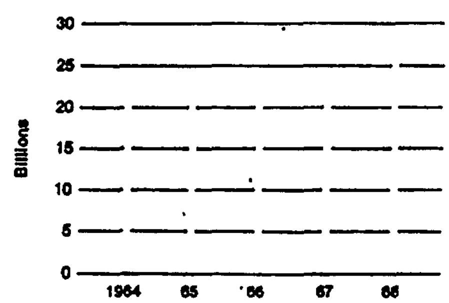
Personal Life Insurance Issued



Total Life Insurance In Force



Assets



Metropolitan Life Assets and Liabilities, December 31, 1968

(Summarized from the Annual Statement filed with the Insurance Department of the State of New York)

Assets

Bonds		$12,982,244,230
U.S., Canadian and other government	$1,010,568,012	
Provincial, municipal, public agencies	192,900,816	
Industrial and commercial	9,069,818,675	
Public utility	2,298,140,645	
Railroad	410,816,082	
Stocks		432,958,054
Preferred or guaranteed	$ 164,257,984	
Common	268,700,070	
Mortgage Loans on Real Estate		9,839,182,702
Residential, commercial and industrial	$9,208,823,576	
Farms and ranches	630,359,126	
Real Estate		493,278,103
Housing projects and other real estate acquired for investment	$ 402,260,919	
Properties for Company use	84,978,321	
Other properties	6,038,863	
Policy Loans (made to policyholders on the security of their policies)		1,020,869,445
Cash and Bank Deposits		136,784,201
Other Assets (chiefly premiums and interest due or accrued)		797,852,613
Separate Account Business		137,958,438
Total Assets		$25,840,125,786

Note—Assets amounting to $1,188,71[illegible],957 are deposited with various public officials and trustees under the requirements of law or regulatory authority.

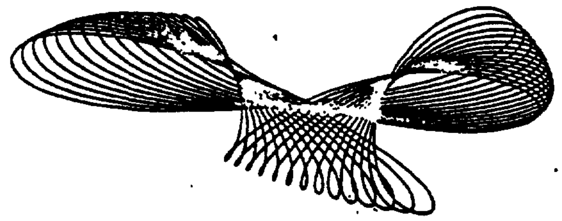
Liabilities and Surplus Funds

Statutory Policy Reserves (This amount, required by law, together with future premiums and interest, is necessary to assure payment of future policy benefits)		$20,917,355,867
Policy Proceeds and Dividends Left with Company by beneficiaries and policyholders, to be paid to them as directed at future dates		955,451,150
Set Aside for Dividends to Policyholders (payable in 1969)		508,028,945
Policy Claims Currently Outstanding (claims in process of settlement, and estimated claims that have not yet been reported)		215,345,703
Other Policy Liabilities (including premiums received in advance, funds held for special risks under certain group policies and for certain personal health policies)		963,650,651
Taxes Accrued (not yet payable)		73,377,838
Mandatory Securities Valuation Reserve		245,479,378
Mortgage Loan Valuation Reserve		32,458,000
All Other Liabilities		92,578,236
Separate Account Business		137,958,438
Total Liabilities		$24,141,682,206
Special Contingency Reserves	$278,449,000	
Group life insurance reserve for epidemics, etc. $117,500,000		
Special reserve for possible loss or fluctuation in the value of investments. 160,199,000		
Special contingent reserve fund for separate account business ... 750,000		
General Contingency Reserve (unassigned surplus)	1,419,994,580	
Total Surplus Funds (Special and General Contingency Reserves)*		1,698,443,580
Total Liabilities and Surplus Funds		$25,840,125,786

*These surplus funds serve as a reserve against unforeseen contingencies and give extra assurance that all policy benefits will be paid in full as they fall due.

Premiums and annuity considerations	$3,561,805,168
Earnings from investments after investment expenses and taxes	1,223,356,121
Net asset adjustments less increase in mandatory securities valuation reserve and less increase in mortgage loan valuation reserve	7,222,319
TOTAL	$4,792,383,608
Payments to policyholders and beneficiaries	
Death benefits	$ 898,368,092
Matured endowments	174,235,558
Health policy benefits	597,595,605
Disability benefits in life policies	46,813,544
Annuity benefits and interest on policy or contract funds	193,794,213
Cash values	319,507,140
Dividends on policies	595,070,580
TOTAL	$2,825,384,732
Additions to reserve liabilities for future payments (after deducting $120,823,727 net changes in valuation bases)	912,217,910
Total paid or added to reserve liabilities for future payments to policyholders and beneficiaries	$3,737,602,642
Insurance expenses (including health and welfare costs)	592,010,749
Taxes (other than investment taxes)	
Federal income taxes ... $153,935,197	
Other taxes ... 75,551,816	
Total taxes	229,487,013
TOTAL	$4,559,100,404
Increase in total surplus funds	$ 233,283,204
Total surplus funds, January 1, 1968	1,465,160,376
Total surplus funds, December 31, 1968	$1,698,443,580

Moving Forward



As a mutual life insurance company, Metropolitan's business is to provide a full range of policies and prompt service of the highest quality to policyholders, at reasonable cost.

This has required a business structure that is flexible and adaptable to the many new social, political and economic forces that affect the vitality of private and competitive enterprise.

Some of the developments which affected the Company's business in 1968 were:

New Products

Anniversary Family Policy – On Metropolitan's 100th Anniversary, a package policy, known as the Anniversary Family Policy, was offered to prospective policyholders at a basic amount of $5,000. Special features included as part of this policy are a family income-type benefit of $100 a month for the first 20 policy years if death occurs within that period, and an extra protection benefit on both the husband and wife.

Versatile Income Protection Disability Policy for Women – Late in 1968 Metropolitan introduced this "V.I.P." disability policy for businesswomen, which offers long-term noncancelable income benefits. Other special features are income benefits while the insured is confined in a hospital, and guaranteed insurability, which gives a businesswoman the right to purchase additional insurance.

Investments

An important objective of Metropolitan investment policy is to achieve a maximum return commensurate with safety. In 1968, investment yield rose to levels not seen in many years. The result not only helps to reduce the cost of insurance to our policyholders but also helps to offset the erosion in the value of our money caused by inflation, and the increasing—and in some cases discriminatory—burden of taxation at the Federal, State and local levels.

Metropolitan has been in the forefront of those advocating the maintenance of sound financial policies to assure a stable price level and a sound currency. It will do all in its power to continue this all-important fight.

Metropolitan made many notable investments in the year 1968. One example was its very large participation in the senior financing of the $1 billion hydroelectric development at Churchill Falls, Labrador, which, upon completion, will be the biggest power plant in the world. Metropolitan took the leadership among companies underwriting this project. Another example was the Company's $33,700,000 investment, with an equity feature, in "The City," a 200-acre metropolitan real estate complex now under construction in Southern California.

The Company must, of course, always be sensitive to the interests and needs of its policyholders. To this end, it has increased its activities in the equity-based products field and has expanded its common stock department and its common stock investments. In addition, many of Metropolitan's loans have included equity features with excellent potential for capital appreciation.

Taxes

In 1968 Metropolitan paid a total of $246 million in taxes, licenses and fees, including investment taxes, to Federal, State and local governments. Of this amount, almost $154 million was Federal income tax, an increase of approximately $32 million over 1967.

Mortality Trends

Mortality among holders of standard individual policies declined slightly in 1968 as compared with 1967, as measured by claims actually paid in each of these calendar years. All the major causes of death except cancer of the respiratory system, accidents, pneumonia and influenza, and war deaths showed decreases. Among the general population mortality rates increased somewhat during the same period for most of the major causes of death.

In a mutual company such as Metropolitan, where any excess of income over the cost of providing protection is returned to the policyholders through dividends, a favorable mortality experience has an important effect on insurance costs.

Electronics

Metropolitan has pioneered in the use of electronic computers, which have figured prominently in the Company's long-range planning for over 15 years. A major milestone was reached in early 1968 when the Company completed installation of equipment in its more than 900 district offices across the United States and in Canada, connecting them by telephone lines with large central computer systems in the Home Office and in the Pacific Coast and Canadian Head Offices. Important elements of new electronic data processing systems were installed, giving the district offices fast, direct access to the Company's computer files. It is expected that these new and modern facilities will be reflected in increasingly prompt and efficient service to policyholders.

People

Maintaining a high level of personalized service in an organization such as Metropolitan Life requires many qualified persons with a variety of skills and abilities. Meeting this need in an increasingly competitive labor market requires continuous attention to the effective recruitment, selection, training, development and retention of employees at all levels.

To this end, the Company is constantly reviewing and updating its personnel practices, with particular attention being given to salary administration matters, as well as other important areas such as general working conditions, to make certain that Metropolitan continues to be a good place in which to work.

In terms of Metropolitan's future development, priority is being given to the need for highly motivated, top-quality personnel. This need becomes even more pressing as the Company's business continues to grow, as it becomes more technical and specialized, and as the industry itself becomes more diversified. To meet this situation, Metropolitan is expanding its college-level recruitment. High-level personnel from outside the Company are being brought in to fill some key administrative and executive positions which require special skills which are not to be found among present employees. In doing this, no change is being made in the Company's long-standing policy of promotion from within. Metropolitan is, and will continue to be, constantly on the lookout for those employees who show the ability and *potential to handle greater responsibilities,* and will continue to encourage and facilitate their growth and development.

Health and Safety

For well over half a century, Metropolitan's health and safety projects, advertisements, booklets and films have been a major factor in helping to overcome the social lag between the discovery of new medical knowledge and procedures, and the widespread dissemination of this information to the general public.

The most recent special effort in this general program was a grant made last May to Washington University, St. Louis, to support the first phase of a demonstration program in ambulatory medical care. Its objective is to achieve increased efficiency and economy of services to patients, with a resultant reduction of current large demands on hospital facilities for diagnostic service, and to enhance opportunities for teaching and learning in general medical care and the specialties.

Urban Affairs

Equal Employment Opportunity—For many years Metropolitan has had an equal employment opportunity policy. It has remained the same in principle over the years and has been followed in spirit as well as in letter. Since its adoption, extensive steps have been taken to implement it to assure its success, and to let it be known that this is Metropolitan's policy. Through the years it has been strengthened, and the Company is now engaged in a continuing, broad-gauged "affirmative action" program to recruit, train, develop, and upgrade employees from underprivileged areas. These employees follow the same avenues of advancement that are open to all, and to date a substantial number have already reached the classifications of managers, professionals and technicians.

A Department of Urban Affairs was created by the Company last November in recognition of Metropolitan's increasing involvement in urban affairs, and in order to deal in a more effective way with the many facets of these matters. This department will be responsible for the coordination of the Company's extensive activities in this field, and the development and implementation of Company programs designed to help alleviate some of the many critical urban problems facing our nation.

"A Deep Involvement," a booklet describing Metropolitan's activities to help in the solution of the nation's urban crises, was published last November. Copies of the booklet can be obtained at the nearest Metropolitan district office, or by writing to Department of Urban Affairs, Metropolitan Life Insurance Company, One Madison Avenue, New York, N. Y. 10010.

Metropolitan Life Insurance Company

Home Office
One Madison Avenue
New York, New York 10010

Pacific Coast Head Office
600 Stockton Street
San Francisco, California [illegible]

Canadian Head Office
180 Wellington Street
Ottawa 4, Ontario, Canada