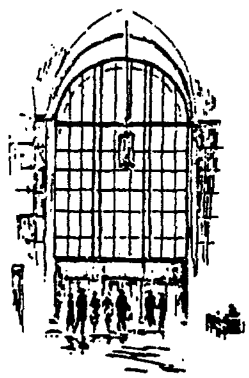
WHAT EVERY METROPOLITAN POLICYHOLDER SHOULD KNOW ABOUT HIS COMPANY



A Report on
Business of 1939

METROPOLITAN LIFE INSURANCE COMPANY
HOME OFFICE: NEW YORK
Pacific Coast Head Office: San Francisco • Canadian Head Office: Ottawa

This beautiful figure, symbolic of Life Insurance, ornaments one of the walls in Metropolitan's Home Office in New York.

To Metropolitan Policyholders:

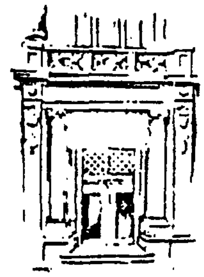
As the owner of a Metropolitan policy, you properly have an interest in the affairs of this Company. It is a mutual company, and no one but the policyholders can share in any profits from its operations.

Naturally, as a member of this cooperating group of policy owners, you want to know whether your Company is doing its work faithfully and well. You want to know whether it is taking good care of your Life insurance—so you may be assured that its obligations to you and your beneficiary will be met promptly.

The purpose of this report is to supply you with such information. It naturally cannot be as exhaustive as the Statement which we file each year with the Insurance Department of every State. Last year's Statement, for example, filled 400 pages.

These official reports contain not only the usual financial statement—income, disbursements, assets and liabilities—but they provide a detailed analysis of the operations of the Company for the year. They include, for example, a list of all securities owned by the Company, their cost, the value at which they are carried as an asset, and other information. Details also are given regarding all purchases and sales of securities during the year, as well as information about real estate and mortgage loans. These reports list all persons receiving during the year salaries in excess of $5,000. They show expenditures for legal fees and give an analysis of gains and losses in the operation of the business and numerous other technical details. The Statement helps the experts of the State Insurance Departments to get an accurate picture of the Company's management of the business.

Metropolitan prepares these reports in accordance with the requirements laid down by law and by the State Insurance Departments. The vast majority of our policyholders would have no use for such a Statement, not only because of its ponderous size and voluminous content, but also because it would be too complicated and technical. We therefore have prepared this report to give you a summary of the information in the official report, which may be of interest in connection with your Life insurance.



Entrance to 1 Madison Avenue, New York, where a staff of 15,000 serve Metropolitan policyholders.

These giant books tell your State Insurance Department what Metropolitan did in 1939.

Postmen throughout the length and breadth of the United States daily deliver thousands of welcome Metropolitan checks.

As a great dam stores water until it is needed, so Metropolitan stores reserves to assure payment of your policy.

How Policyholders Benefited Last Year

Those who join the Metropolitan family of policyholders do so in order to provide funds for themselves or their families at some future time of need.

Every week during 1939, an average of more than 100,000 Metropolitan checks went to policyholders and beneficiaries throughout the United States and Canada. Usually these checks brought funds when they were most needed.

In the course of the year these checks, and other sums credited, brought to policyholders and their families a total of $604,000,000—the largest amount of benefits in a single year ever paid by the Company. In addition, the sum of $183,000,000 was added to funds held for future payment to policyholders and beneficiaries.

More than $3,500,000 was paid for death claims under policies which had been in force less than one year—in many cases only a few weeks. This is impressive evidence of the importance of Life insurance.

About one out of every six dollars paid to policyholders was due to the maturity of Endowment policies—a good illustration of the use of Life insurance to provide money to meet special needs in addition to providing protection.

Payments to our policyholders last year, including dividends, brought the total of such payments in the last 10 years—a period marked by the greatest depression in history—to more than five billion dollars.

Those whose policies came due in 1939 represented only a small part of our policyholders. Those who are to benefit in the future constitute the vast majority of policyholders. Out of past premium payments and interest earnings, Metropolitan builds a reservoir of funds which, with future premiums and interest, will enable it to meet every policy obligation. These funds now exceed $5,000,000,000, which ultimately will be paid back to policyholders or beneficiaries.

For the most part, this reservoir of funds represents what is known as "legal reserves"—so called because the minimum basis on which they are determined is specified by law.

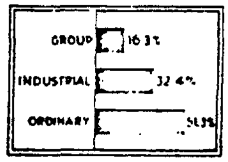
Expressions of Confidence

Policyholders paid Metropolitan last year $792,000,000. Hundreds of thousands of old policyholders bought new policies, and a similar sizable number of newcomers joined the Metropolitan family.

Altogether, more than 2,700,000 new Life policies were issued in 1939—giving their owners more than $1,600,000,000 of new Life insurance.

At the end of the year, $23,193,000,000 of Metropolitan protection was owned by our policyholders. Just over half this amount was Ordinary insurance—for the most part policies of $1,000 or more, and averaging last year $1,631. About a third was Industrial insurance, with premiums payable weekly or monthly, and averaging last year $226. About one sixth was Group insurance—blanket protection on the lives of employees of business and industrial concerns, the cost of which is usually shared by employer and employee.

In addition to the above, Metropolitan policyholders have Accident and Health insurance under policies which call for the payment of $19,900,000 in weekly benefits, and an extra $1,400,000,000 in the event of death or dismemberment by accidental means. They also own Annuity contracts which provide present and future annual incomes aggregating $70,000,000.



This shows relative amounts of the three kinds of Life insurance in force in Metropolitan.

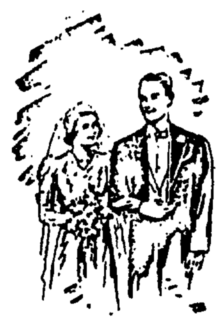
Keeping Insurance Fitted to Policyholders' Needs

When a person joins the Metropolitan family of policyholders, there begins a relationship which may last half a century or longer. Naturally, many changes affecting the policyholder will take place during that period—and insurance needs may likewise change.

A promotion, a new and better position, or other conditions which bring a higher income may call for an expanded insurance program. Unemployment or business reverses may necessitate a more modest program. Changes in the family—births, marriages, deaths, and others—may change insurance needs.

Metropolitan believes its obligation to policyholders extends to helping each one of them to keep his insurance protection fitted to his changing needs at all times. Accordingly, Metropolitan Agents are trained carefully to help policyholders make these necessary rearrangements of their Life insurance.

Among 29,000,000 policyholders the volume of these changes makes a staggering total. Hundreds of employees in the Home Office are kept busy, day in and day out, making changes in policies . . . changes in beneficiaries . . . changes in mode of settlement . . . changes of plan . . .



The advice of an Agent is helpful when domestic changes—such as marriage—call for rearrangement of a Life insurance program.

changes in amount of insurance. Changes of beneficiary alone exceeded 2,000 daily in 1939.

There are many cases, of course, where financial reverses or emergency needs for funds force policyholders to give up their Life insurance protection, regardless of any rearrangement that could be made. The Company and its Agents continually stress the importance of maintaining Life insurance in force, and we are glad to report that the persistency of policies in 1939 was unusually good.

Your Metropolitan Agent has been specially chosen and trained to fit insurance to your needs.

How the Agent Helps

It is the Agent who is the Metropolitan "service man" in your community. It is through him that we work in helping policyholders to buy and maintain the kind of protection that best fits their needs.

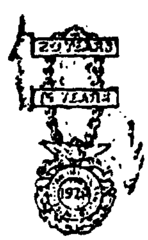
Metropolitan employs about 20,000 Agents. In selecting this group, special emphasis has been placed on character, integrity, and dependability—for the first requirement is that an Agent be a man whose advice policyholders can respect.

The Agent's duties, in addition to selling insurance, call for continuing interest in the policyholder's welfare and help in working out readjustments when needed.

When the death of a policyholder occurs, the Agent often renders valuable service to the bereaved family in preparing the necessary papers and in getting the claim check promptly to the beneficiary. An average of 7,300 death claims per week were paid during 1939.

Many policyholders move in the course of a year or desire to change the method of premium payment from Agent to Office or vice versa. These so-called transfers took place in 1939 at the rate of more than 75,000 per week. In nearly every one of these cases, some Agent served the policyholder.

The Agent helps in arranging for the proceeds of a policy to go to the person to whom the policyholder wants this money paid—either in a lump sum or in instalments over a long or short period if provided for in the policy.



The hallmark of 20 years of efficient and loyal Metropolitan service.

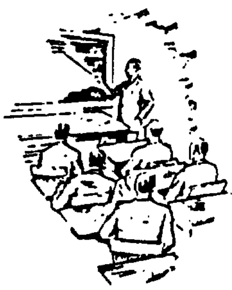
A Career Man

The Metropolitan Agent is a "career man," dedicated to duties that extend over a wide range of service to his community. At the present time more than 2,000 of Metropolitan's Field organization have been with the Company for 20 years or longer. Many of these men have served the same community, and in many cases the same families, over this entire period.

The turnover among our Agents last year reached an all-time low record. Terminations of service due to all causes other than death, disability, promotion, or retirement amounted to only 8 percent of the Agency staff.

Metropolitan encourages its Field-Men to study. It has a department devoted entirely to their education and training. On its staff are more than 100 instructors and specialists in training.

More than 800 Agents attended the Company training schools during 1939, and in addition 338 instruction meetings were held in various parts of the country which were attended by the Agents in those areas. Over 1,800 were enrolled in the Company's correspondence courses for Agents. More than 700 Field-Men were enrolled in the course that leads to the coveted designation Chartered Life Underwriter. The C.L.U. degree is awarded only after the completion of courses that measure up to professional standards. To complete the work may require three or four years.



Metropolitan Agents are constantly studying how to give you better insurance service.

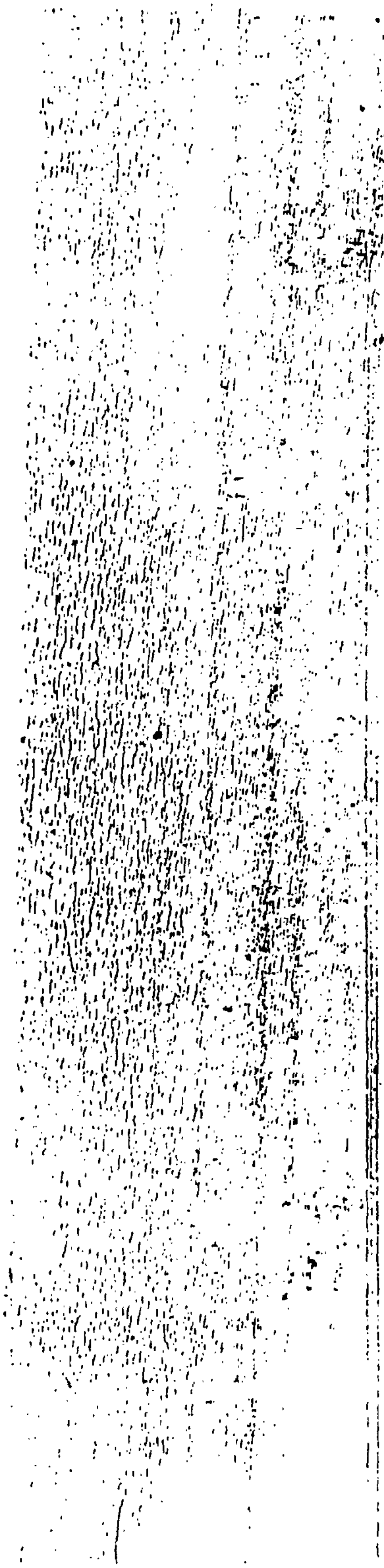
Managers and Assistant Managers are also regularly taking courses of instruction. More than 550 of them were enrolled in a classroom course during the past year. About 1,200 Assistant Managers received training in the field.

These facts illustrate the efforts Metropolitan is making to insure that your Agent is well qualified to serve you efficiently, sympathetically, and intelligently.

Dividends and the Cost of Your Life Insurance

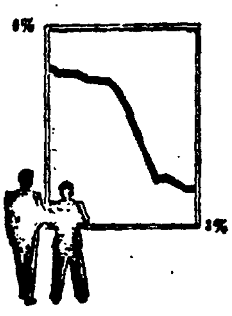
In mutual companies like Metropolitan, the premium to be paid by the policyholder is fixed in advance at an amount somewhat greater than the Company expects it will need to pay for the cost of furnishing the insurance. The policyholder later receives back annually in the form of dividends any overpayment with respect to each year's insurance. Thus the plan of mutual insurance enables the policyholder to obtain insurance on a safe and sound basis at the actual cost of providing it.

These dividends are payable annually when earned. They are apportioned on the basis of the Company's average experience as to interest, mortality, expense, etc., on the various classes of policies, so that the policyholder pays only for the actual cost of his insurance.



The amount received as a dividend depends primarily on three factors: the prevailing level of interest rates, over which the Company has no control; the mortality rate experienced; and the skill and efficiency of the Company's management.

Interest Earnings—The reserve funds which a company maintains in order to assure the payment of future benefits must be credited with interest at the rate specified in policy contracts. Interest earnings are, therefore, first applied to maintain the reserves, and only the remaining amount is available for dividends and contingencies. For instance, if the rate specified in the policy contract is 3½ percent, only the interest earnings in excess of 3½ percent can be used for dividends. This is why even a small reduction in the interest rate may have a substantial effect on the dividends paid.



Trend of interest earnings during the past decade.

There has been a substantial reduction in the interest rate during the past 10 years. This is illustrated by the fact that if the Metropolitan had earned the same interest rate in 1939 as it did in 1929, there would have been $70,000,000 more available to the Company as a whole for dividends and contingencies.

Mortality—Mortality on both Ordinary and Industrial policies has continued favorable; and recent mortality experience is always used in the calculation of dividends.

Cost of Management—Despite increased expenditures for various additional services to policyholders (particularly during the business depression) and for the compilation of voluminous data required by investigating authorities, Metropolitan has been able to make various offsetting economies. As a result, the Company's current-expense rate (except for taxes) is slightly lower than it was 10 years ago.

Dividend Scales for 1940

Notwithstanding greater savings from favorable mortality and some savings from lower expenses (other than taxes), the continuance of a low level of interest rates has materially reduced the amount available for dividends on Ordinary policies. As a result it is necessary for the Company to adopt generally reduced dividend scales for these policies, effective May 1, 1940.

Because excess interest earnings is the principal factor contributing to dividends on policies with high reserves, the reduction in dividends on Ordinary policies not containing disability income benefits will be greatest on policies with high reserves, such as Single-Premium policies and short-term Endowment policies. The reduction in dividends on Ordinary policies will be least on policies with low reserves, and some such policies, in fact, will receive higher dividends.

Because of an increasingly high claim rate on the total and permanent disability income benefit, the dividends on Ordinary policies containing this benefit will be drastically reduced. The disability income benefit provides a type of protection which most companies (including the Metropolitan) have discontinued writing, and the few companies which still issue this benefit charge substantially higher premiums for such protection.

Dividends on Industrial policies have been declared for payment in 1940 on substantially the same scale as for 1939.

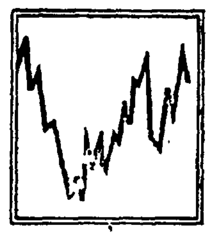
In accordance with the provisions of the Company's charter, separate and distinct accounts are kept for Ordinary and Industrial policies, so that the surplus for each Department is accurately determined as the basis for dividend distribution in that Department.

The Last 10 Years

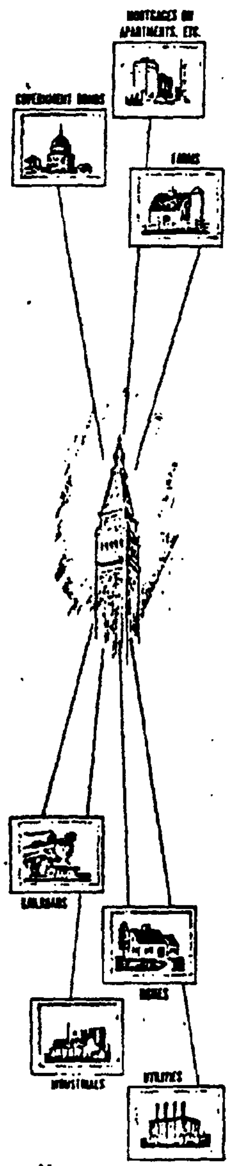
In connection with dividends, the following high lights reflect the management policies which helped to guide Metropolitan through the worst depression in our history. Over the 10-year period from 1929 through 1939, Metropolitan fulfilled every contractual obligation, and in addition, in the interest of still greater safety and stability:

1. Added to its contingency reserve, or surplus, because of the increase in liabilities, more than $132,000,000.
2. Strengthened the basis of its policy reserves to the extent of $45,000,000.
3. Made expenditures of $25,000,000 to improve properties acquired through foreclosure, without increasing their valuation in the Company's Statement.
4. Reduced the valuation of securities and real estate by more than $216,000,000.
5. Expended more than $58,000,000 on health and welfare work for policyholders.

And yet, over this same 10-year period and in addition to the above, Metropolitan also paid or credited to its policyholders almost one billion dollars ($992,000,000) in dividends.



How business fluctuated, 1929-40. Metropolitan moved steadily forward throughout this period.



Your insurance is safe with Metropolitan because its investments are so thoroughly diversified.

About Investments

The experience of 1939 should give added assurance to policyholders that the funds they have accumulated with Metropolitan, pending the time they or their beneficiaries will need them, are carefully safeguarded and soundly administered. The Company maintains a surplus fund which serves as a cushion to absorb the shock of unforeseen contingencies—and so adds to the security and safety of every policy. From 1939 operations, after setting aside $113,000,000 for dividends, $17,000,000 was added to the surplus fund, which now totals $309,000,000.

Among the safety factors behind Metropolitan policies are not only the sound types of investments selected, but also the widely diversified character of these investments—in Government obligations of the United States and Canada, as well as loans on most of the major forms of economic enterprise. These investments total more than 100,000 in number.

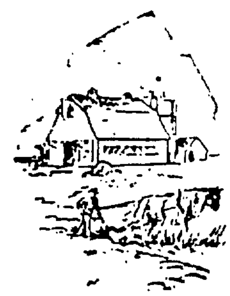
Metropolitan assets are conservatively valued. State laws and Insurance Department rulings have been developed to control the methods of insurance companies' valuations. The examinations of the companies' assets and operations conducted by the Insurance Departments include check appraisals of real estate held.

At the end of 1939 the securities held by Metropolitan had an aggregate current market value many millions of dollars in excess of the value at which they were carried in the Company's Statement, while its unsold foreclosed real estate was carried at a figure below the face amount of the mortgages involved at the time of foreclosure.

The last 10 years have seen drastic economic changes. A Life insurance company should be practical in appraising the effect of such factors upon investments. Over this period Metropolitan, in addition to increasing its contingency reserves and surplus, has written down the value of its security and real estate holdings. This does not necessarily mean that there will be an ultimate loss, as with the return of normal conditions much of the amount written down may well be recovered and thus find its way back into the assets of the Company.

Real Estate Foreclosures

At the end of the year, 6.8 percent of our assets represented foreclosed real estate. Metropolitan is anxious to sell all acquired property as soon as it receives offers which represent fair values. Outright sales of foreclosed real estate, in addition to sales under contract, amounted in 1939 to more than $26,000,000 and were made at a net profit over book value of approximately $1,000,000. The profit on contract sales is not taken into the assets of the Company until title is transferred. Losses, however, are taken at time of sale.



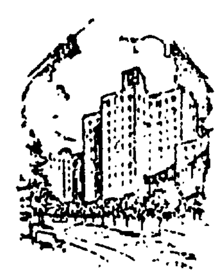
Metropolitan investments include $76,000,000 loaned to owners of farms.

Metropolitan is continuing its policy of rehabilitating property when it finds it necessary to become an involuntary owner through foreclosure. The object of this policy is to facilitate sales on a sound basis. Pending such sales, the Company aims to be a "good citizen" in the community in which the properties are located, through the prompt payment of back taxes and not only putting, but keeping, the properties in good condition.

Through the application of sound scientific farm management, there have been substantial increases in crop yields on various farms owned by Metropolitan. For example, one farm which had the benefit of the Company's soil improvement program yielded an average over a three-year period of more than 400 pounds of cotton per acre, in comparison with the previous average of less than 100 pounds. In view of the Company's farm management program, it is not surprising that during 1939 about 90 percent of the sales of foreclosed properties have been made to purchasers who will live on these farms—dirt farmers. In fact, one out of every 11 of such sales was made to the original owner or some member of his family.

Parkchester

Last year we reported the initiation of the housing project at Parkchester in The Bronx, New York City. This unique group of apartment dwellings possesses the elements which every one of Metropolitan's investments must have—safety, plus a reasonable return on the funds invested. At this time about 1,500 apartments have been completed, and hundreds of tenants have already moved in. The applications already received for these apartments have borne out fully our expectations as to its success. Parkchester, when completed, will house about 40,000 people in 12,200 apartments of the most modern type. Buildings will cover only 28 percent of the total land area; the balance will be landscaped and largely available for recreational purposes.



Beautiful, landscaped Parkchester, the apartment community built by Metropolitan — a type of investment tested by experience.

In these days when so much housing is undertaken at public expense, this project is notable as an investment of private capital without benefit of tax exemption or other Government subsidy.

What About a New Mortality Table?

Under the various State laws, Life insurance companies are required to set up reserves on their policies on the basis of some specified table of mortality—for Ordinary policies this is usually the American Experience Table. Because this table was developed some 70 years ago and mortality has improved substantially since that time, some people have thought that the adoption of a more up-to-date mortality table would make their insurance cost less. Actually, a new mortality table would have little or no effect on Life insurance costs.

These pictures show the decreasing number of people remaining alive at different ages.

In the first place, mortality tables specified by State law are used by the State Insurance Departments primarily to see that the companies maintain adequate reserves on the insurance in force. In the aggregate, the reserves on most modern tables are slightly higher than on the basis of the American Experience Table.

While the companies must maintain reserves on the basis of the legally specified mortality table, they are free to use any mortality table they consider suitable in determining premiums. Metropolitan has not based its premiums directly on the American Experience Table, but has taken its own experience into account.

Regardless of the mortality table used, policyholders in a mutual company like Metropolitan get their Life insurance at the cost of providing it, as dividends reduce the policyholder's net payment to the amount required by actual mortality experience.

Mortality is only one element in the cost of insurance. Another important factor is the interest rate earned. The low level of prevailing interest rates has increased the cost of insurance substantially more than could be offset by the improvement in mortality. Taking both factors into account, it is apparent that any material decrease in gross premiums by the use of some different mortality table would decrease the margin of safety.

Helping Policyholders to Live Longer

Activities to help prolong the lives of policyholders were continued during 1939. Extensive efforts were made, for example, to acquaint policyholders with the latest develop-ments—including the results of Company research—in the treatment of pneumonia. A new technique has apparently been largely responsible for the 15 percent decline in deaths from this cause in 1939 as compared with 1938 among Metropolitan Industrial policyholders. The death rate from pneumonia is now only about 40 percent of what it was 10 years ago.

Metropolitan has played an important part in research on pneumonia and influenza.

In spite of much heavier auto traffic and an increase in road mileage during 1939, automobile fatalities showed a slight decrease.

The part that Metropolitan has played in safety education was recognized when the Company received last year the annual first-prize award given by the American Automobile Association for the best sound slide film on the subject of safety produced during the previous year. The film thus recognized was Metropolitan's production entitled "Safety in Numbers."

Among new educational programs launched during 1939 was one aimed at greater control of acute rheumatic fever in childhood, a disease that costs the country 26,000 lives yearly and causes heart injuries among countless thousands.

A leaflet dealing with this disease was released in large quantities, and was followed by other educational measures designed to give parents a better knowledge of the signs and methods of treatment of the disease. It is hoped these will do much to lessen its evil effects.

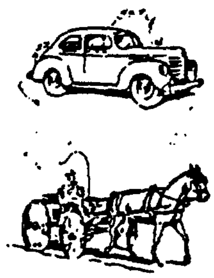
Nursing Service—Metropolitan is continuing to furnish a Visiting Nurse Service, without extra charge, to policyholders insured under Industrial, Intermediate (of less than $1,000), and Group policies.

This service is now available in approximately 7,600 communities. In 1939, more than 3,477,000 visits were made to sick policyholders in their homes. This competent nursing care is given under the direction of the insured's own doctor. More than 83,000,000 such visits have been made since the Nursing Service was established in 1909.

Numerous letters of appreciation from policyholders testify to the efficiency of Visiting Nurses.

Health and Safety Education—In spreading information on how to keep well, Metropolitan last year distributed more than 48,000,000 booklets covering a wide range of health and safety subjects. Such booklets have been distributed at the rate of more than 25,000 for every working hour of every working day for the past 10 years. These provided information about the more common diseases, proper diet, care of children and prenatal care, prevention of accidents, and on other subjects.

Through the advertising pages of national magazines, we also disseminated each month more than 23,000,000 copies of a message conveying valuable information on some health or safety subject.



Just as transportation has improved since the horse and buggy days of 50 years ago, so has Life insurance.

Providing Better Insurance

Like other progressive businesses, Metropolitan constantly seeks to improve its policies and to keep the cost as low as possible. Just as transportation has improved over the years, so has Life insurance. New benefits and advantages have been added to both Ordinary and Industrial policies.

For example, at the beginning of 1940, Metropolitan granted under new Industrial policies—and shortly afterward extended retroactively to all such policies in force—a cash surrender value after three years. Previously, the period for Weekly Premium policies was five years.

Since Metropolitan was founded in 1866, we have come a long way in making more secure the protection which policyholders obtain through their membership in this mutual enterprise. Likewise, policyholders are getting the benefit of every dollar of savings which the Company, through efficient management, can effect in its operations.

In Conclusion

For 73 years Metropolitan has served an increasing number of the people of the United States and Canada. The good record of the past year is evidence of the conservative management which has been characteristic of the Company's entire history. In the last analysis, policyholders must depend upon careful, conscientious, and conservative management.

Not only must we compile voluminous reports covering all phases of activities for submission to the various Insurance Departments, but the laws of the State of New York require that the Insurance Department make an examination of domestic Life insurance companies not less often than once every three years. This serves both to verify their financial status and as a check upon the operations of their managements.

Such an examination of Metropolitan is now in progress. In addition to the examiners representing New York—20 of them from the civil service lists—there are also representatives of five other States who are participating in this examination. As it usually takes about 18 months to complete one of these examinations, these representatives of the States will be in our Home Office and Head Offices well into 1941. After their studies and examinations are completed, they make an exhaustive report of their findings. This is sent to all State Insurance Departments in the country and becomes a public document.

It is our earnest hope that every policyholder may be fully informed about the affairs of the Company. This report represents one effort on the part of the management to provide such information as policyholders may desire. Metropolitan advertisements, in magazines with a circulation of about 21,000,000 monthly, also contain information about its operating methods. Annual financial statements are published once a year in newspapers with a circulation of about 37,000,000.

But the greatest force for bringing about a better understanding of the operations of your Company is the Agent—as day in and day out he is making thousands and thousands of calls on policyholders and answering questions which may arise. These inquiries are most welcome, and we urge you to consult your Agent if you have any questions after reading this report; or if you prefer, write directly to the Home Office.

Our home in 1876; and our home today with the famous Tower and "The Light That Never Fails"—symbol of unfailing security.

Chairman of the Board.

President.

STATEMENT F

Metropolitan presents its Business Report for the year en
the Annual Statement filed with the New Yc

Assets Which Assure Fulfillment of Obligations

National Government Securities		**$1,015,938,914.60**
U. S. Government	$948,082,869.84	
Canadian Government	67,856,044.76	
Other Bonds		**1,882,379,020.85**
U. S. State and Municipal	110,055,727.87	
Canadian Provincial and Municipal	103,823,959.75	
Railroad	573,665,903.43	
Public Utilities	689,740,113.65	
Industrial and Miscellaneous	405,093,316.15	
Stocks		**86,624,833.01**
All but $22,561.13 are Preferred or Guaranteed.		
Mortgage Loans on Real Estate		**953,658,650.07**
Farms	76,890,988.22	
Other Property	876,767,661.85	
Loans on Policies		**515,495,459.26**
Real Estate Owned		**407,215,594.74**
Includes real estate for Company use, and housing projects.		
Cash		**132,667,027.52**
Premiums Outstanding and Deferred		**87,666,343.58**
Interest Due and Accrued, etc.		**60,340,337.46**
TOTAL		**$5,141,986,181.09**

NOTE—Assets carried at $221,390,536.99 in the above statement are
of law or regulatory authority. Canadian business emb

[illegible] FOR 1939

[illegible] ending December 31, 1939. (In accordance with
[illegible] York State Insurance Department.)

Obligations to Policyholders, Beneficiaries, and Others

Policy Reserves Required by Law . . . . Amount which, with interest and future premiums, will assure payment of policy claims.	$4,493,833,205.00
Dividends to Policyholders . . . . . . Set aside for payment during the year 1940.	112,999,638.00
Funds for Future Payments on Supplementary Contracts . . . . Policy proceeds left with the Company for future payment.	112,986,146.83
Held for Claims . . . . Including claims awaiting completion of proof and estimated amount of unreported claims.	22,931,579.79
Other Policy Obligations . . . . Including reserves for Accident and Health insurance, dividends left with Company, premiums paid in advance, etc.	42,377,943.67
Miscellaneous Liabilities . . . . Liabilities not included above, such as taxes due or accrued, special reserves, etc.	47,140,101.00
TOTAL OBLIGATIONS	$4,832,268,614.29
Surplus . . . . This serves as a margin of safety, a cushion against contingencies which cannot be foreseen.	309,717,566.80
TOTAL	$5,141,986,181.09

[illegible] are deposited with various public officials under requirements
[illegible] embraced in this statement is reported on basis of par of exchange.

REVENUE ACCOUNT FOR

(A short story of the Company's operatio

We have received or have due for premium and other policyholders' payment
Our investments have earned net income (less investment expense) . . . . . .
TOTAL . . . .

We have paid to Beneficiaries and Policyholders on account of:

Death Claims . . . .
Disability Claims . . . .
Health and Accident Claims . . . .
Matured Endowments . . . .
Annuities . . . .
Surrender Values . . . .
Dividends . . . .
As allowance for direct payment of weekly premiums . . . .

TOTAL PAYMENTS TO BENEFICIARIES AND POLICY HOLDERS .

We have paid for health and welfare work for policyholders and public . . . .
We have credited interest on policy proceeds left with the Company, etc. . . . .
Statutory reserves and other policy obligations have increased . . . .
We have increased surplus . . . .

TOTAL PAID OR HELD FOR BENEFICIARIES AND POLICYH

We have paid or hold for payment for the operating expenses of the Company o

Agency and District Offices . . . .
New York Home Office and Head Offices in San Francisco, Calif., and C
Medical Fees, etc. . . . .

We have paid or hold for taxes (except on real estate and other investments) . . .
We have adjusted stated value of assets (less profit from sale or maturity), etc. . . . . .

TOTAL . . . .

OUNT FOR 1939 . . . . .

Company's operations during the year.)

licyholders' payments	$792,191,311.04	
xpense)	175,031,920.66	
		$967,223,231.70
t of:		
	$171,039,745.85	
	10,309,631.06	
	11,242,871.18	
	93,848,818.31	
	11,807,347.33	
	177,662,846.11	
	120,924,337.62	
	7,990,301.03	
ND POLICY HOLDERS	$604,825,898.49	
	5,550,640.64	
	5,577,117.46	
	166,078,632.97	
	17,326,495.65	
RIES AND POLICYHOLDERS		$799,358,785.21
enses of the Company on account of:		
		91,012,834.47
n Francisco, Calif., and Ottawa, Canada		37,858,444.08
		3,071,242.65
other invest ments)		17,513,212.13
r maturity), etc.		18,408,713.16
		$967,223,231.70

TOTAL LIFE INSURANCE IN FORCE ON DECEMBER 31, 1939

Ordinary	$11,895,929,343
Industrial	7,515,140,345
Group	3,782,679,464
TOTAL	$23,193,749,152

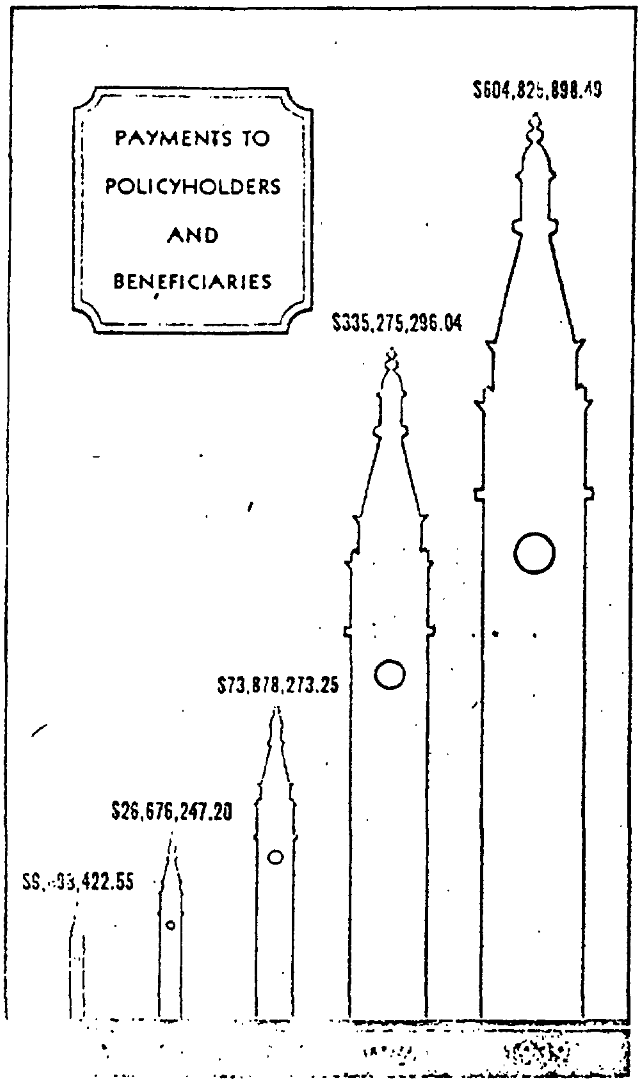
Accident and Health Insurance

Weekly benefits	$19,894,950
Principal sum benefits	1,478,775,450

PAYMENTS TO BENEFICIARIES AND POLICYHOLDERS DURING 1939

Ordinary	$265,542,926.82
Industrial	273,722,244.11
Group Life, Health, and Annuities	62,784,411.45
Personal Accident and Health	2,776,316.11
TOTAL	$604,825,898.49

Number of new Life policies issued	2,715,732



The test of an institution is in its service to people. This chart shows how payments under Metropolitan contracts each year have increased by decades—evidence of the increasing value of Metropolitan service to policyholders and beneficiaries.

METROPOLITAN OFFICERS

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LEROY A. LINCOLN, President

FREDERIC W. ECKER,
Vice-President

JAMES E. KAVANAGH,
Vice-President

ERNEST H. WILKES,
Vice-President

HENRY E. NORTH,
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JAMES P. BRADLEY,
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Third Vice-President

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Third Vice-President and Statistician

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EARL O. DUNLAP,
Third Vice-President

WILLIAM A. BERRIDGE, Ph.D.,
Economist

WILLIAM J. HARPER,
Personnel Officer

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Metropolitan Life Insurance Company

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Charles Pfizer & Co., Inc.

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Member, Follansbee, Shorey and Schupp,
Attorneys at Law

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Joseph P. Day, Inc., Real Estate

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JEREMIAH MILBANK, New York, N. Y.
Milbank & Co.

D'ALTON CORRY COLEMAN, Montreal, Canada
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Chairman of the Board,
Western Union Telegraph Company

LEROY A. LINCOLN, New York, N. Y.
President,
Metropolitan Life Insurance Company

HARRY W. CROFT, Greenwich, Conn.
Former Chairman,
Harbison-Walker Refractories Company

THOMAS H. BECK, New York, N. Y.
President,
The Crowell-Collier Publishing Company

WALTER EWING HOPE, New York, N. Y.
Member, Milbank, Tweed and Hope,
Attorneys at Law

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Member, Fordyce, White, Mayne, Williams
and Hartman, Attorneys at Law

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Chairman of the Board,
Title Guarantee and Trust Company

ROBERT V. FLEMING, Washington, D. C.
President and Chairman of the Board,
Riggs National Bank

FREDERIC W. ECKER, New York, N. Y.
Vice-President,
Metropolitan Life Insurance Company

WINTHROP W. ALDRICH, New York, N. Y.
Chairman of the Board,
Chase National Bank of New York

EDWARD R. STETTINIUS, JR., New York, N. Y.
Chairman of the Board,
United States Steel Corporation

WILLIAM W. CROCKER, San Francisco, Calif.
President,
Crocker First National Bank

AMORY HOUGHTON, Corning, N. Y.
President, Corning Glass Works

LOUIS S. ST. LAURENT, Quebec, Canada
Member, St. Laurent, Gagne, Devlin &
Taschereau, Attorneys at Law

ERNEST E. NORRIS, Washington, D. C.
President, Southern Railway System

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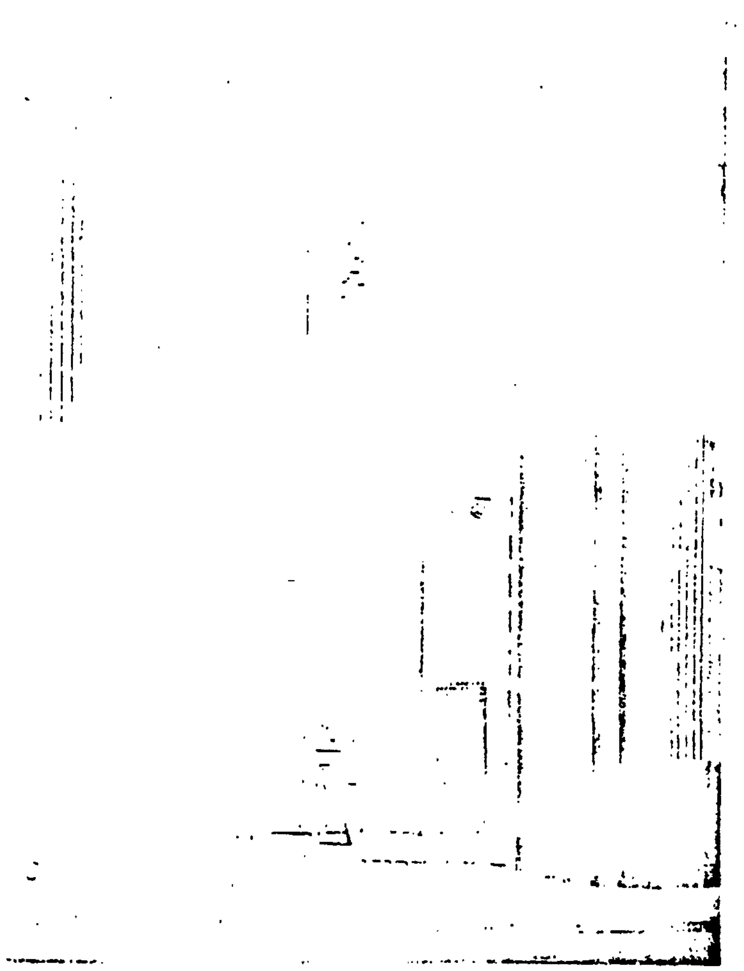
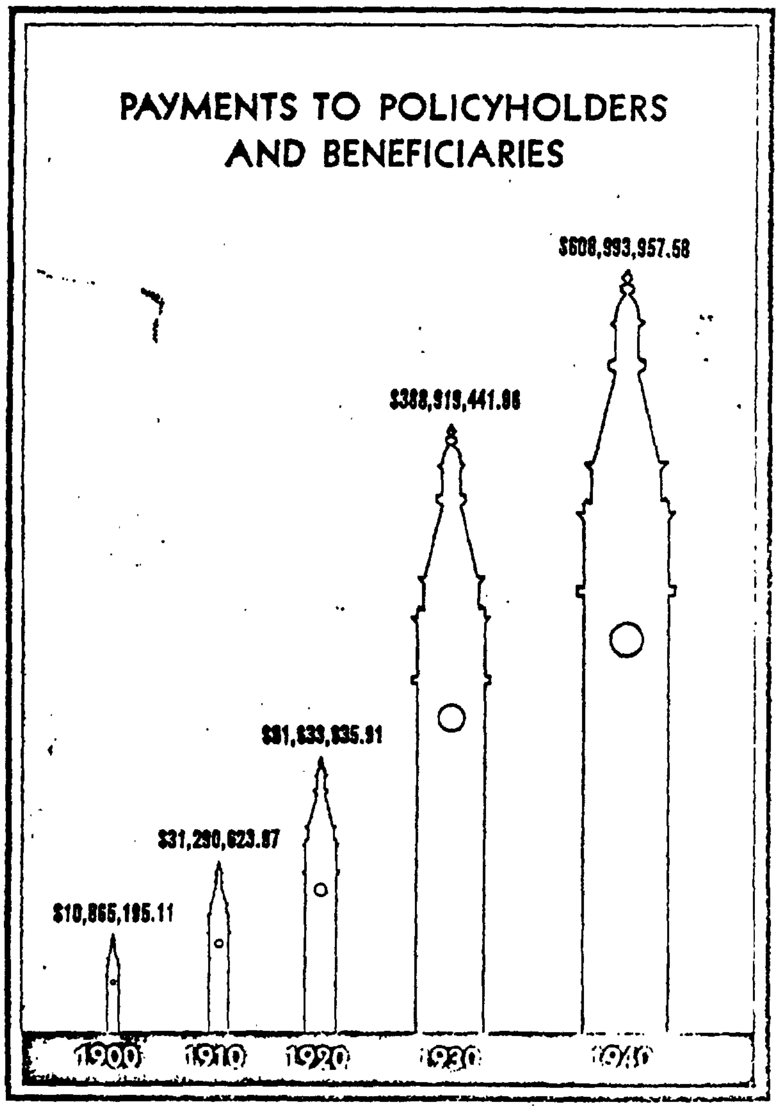


AN ENTRANCE TO ONE OF METROPOLITAN'S HOME OFFICE BUILDINGS

Life Insurance in Action

A REPORT ON ACCOMPLISHMENTS IN 1940 OF
METROPOLITAN LIFE INSURANCE COMPANY



The prime purpose of Life insurance is to provide funds in time of need. How Metropolitan has accomplished that purpose is shown by the chart above, which depicts the growth in payments to policyholders and beneficiaries since 1900.

What Every Metropolitan Policyholder Should Know About His Company.

To Metropolitan Policyholders:

On December 31st, 1940, Metropolitan closed the books on its 73rd year of useful and creative service to the American people.

Life insurance is not static—it is an active force in the lives of the people who share its benefits . . . a force that contributes in many important ways to the social and economic well-being of the nation.

Since Metropolitan is a mutual enterprise, conducted solely for the benefit of its policyholders, you can have a personal interest in the success of your Company in helping to create a *healthier* and *thriftier* nation—vital factors in the ever-present struggle against financial insecurity.

For the thousands of families to whom benefits were paid last year, Metropolitan protection took on a new meaning. The *promise* of the contract became fulfillment. It helped in varied ways. For example, it brought a measure of security to many who otherwise would have been penniless. It enabled many to carry out plans laid long in advance . . . to send a boy to college . . . to pay off a mortgage . . . to provide financial independence in old age.

How We Fulfilled Our Trust

It is probably true that few checks arrive in time of greater need than life insurance checks. Each working day last year, Metropolitan issued thousands of checks to pay the varied claims and benefits to which policyholders and their beneficiaries were entitled. These, and other sums credited in 1940, brought to our policyholders or their beneficiaries more than $608,900,000. Additions to reserve funds held to meet future obligations to policyholders and increases in special

A view of Metropolitan's Check Writing Division. These girls write thousands of checks daily, bringing welcome funds to Metropolitan policyholders and their families.

funds and surplus amounted to $185,200,000. Payments for health and welfare work for policyholders and interest paid or credited on policy proceeds added another $13,900,000—a combined total, during the year, of $808,000,000 for the benefit of policyholders.

For every dollar received from policyholders in 1940, approximately $1.01 was paid to policyholders or added to the amount held for their benefit. This was made possible because income from Metropolitan investments amounted to somewhat more than the total of Company operating expenses and taxes.

More than $182,000,000 was paid because someone insured in Metropolitan had passed away. This money in some cases fully met the family's needs. In others the insurance funds tided the family over the crucial period of readjustment and enabled mothers to keep their families together, and children to remain in school. You will be interested to know that within 48 hours, on the average, after the receipt of a death claim by the Company, a check in payment was in the mail, speeding help to the bereaved family.

Dividends, matured endowments, annuity payments, disability and health and accident claims, and other benefits paid or credited to living policyholders during the year amounted to more than $426,000,000.

Expressions of Confidence

Millions of people entrusted to the Company last year a total of more than $800,000,000—for the purpose of increasing the security of their dependents and themselves. This is the largest sum ever paid to the Company by policyholders. It is evidence of the confidence of the American and Canadian people in the way Metropolitan has conducted its affairs. At the end of 1940, policyholders owned $23,900,000,000 of Metropolitan protection. This represented an increase during the year of $730,000,000, and a gain of more than $5,000,000,000 over the last ten years.

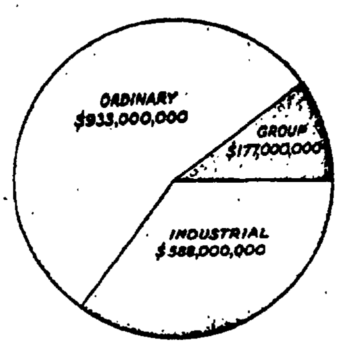
Policyholders had Accident & Health policies, at the end of the year, calling for payment of $21,600,000 in weekly benefits in case of sickness and accident, and principal sum benefits of $1,500,000,000.

The 2,700,000 new policies of life insurance issued by your Company during the past year provided protection for the owners of these policies amounting to approximately $1,700,000,000.

The new Industrial policies issued during 1940 provided more than $588,000,000 of protection for their owners. New Ordinary insurance issued amounted to more than $933,000,000. New Metropolitan Group policies added another $177,000,000 of life insurance protection to employees of business and industrial concerns.

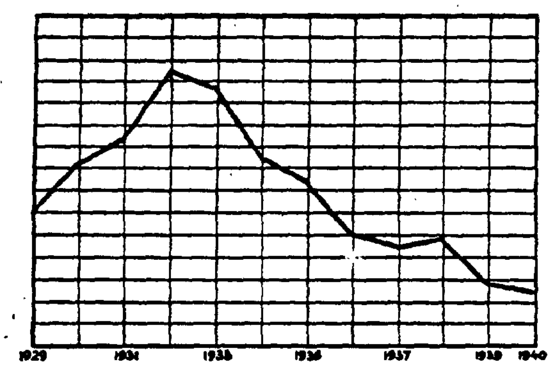
Some people who buy life insurance later meet economic adversity which forces them to discontinue their policies. Loss of a job, reduced income, or unforeseen emergency expense—things entirely outside the control of any life insurance company—these are the primary causes of terminations of policies before they mature. That is why, in general, lapses and surrenders reflect the business situation as a whole. When general business is bad, such terminations tend to increase, and conversely, as business improves, they tend to decline. Of course some insurance is discontinued because it has served its need.

Metropolitan seeks constantly to do all in its power to keep lapses at a minimum. Its agents endeavor to sell only insurance which will persist—insurance suited to the buyer's needs and circumstances. Company methods have been devised to aid agents in these efforts, and thereafter to help keep the insurance adjusted to the varying circumstances of policyholders. These efforts have helped many to hold on to their insurance who might otherwise have been forced to drop it.



How the amount of new life insurance issued in 1940 is divided among the three kinds of life insurance offered by the Company.

Confidence in Metropolitan—along with evidence of more effective service by agents and improved business conditions



The trend of lapses and surrenders of Metropolitan life insurance since 1929. During the early depression years many people surrendered policies to provide cash for emergency needs and many were forced to lapse because of economic conditions. Note the marked improvement since the depression peak.

—is reflected in the remarkably small percentage of policyholders who lapsed or terminated their policies before they matured. In fact, the lapse of recently purchased policies (policies less than two years old, which are the ones most likely to be dropped) was at the lowest rate in the Company's history. Furthermore, the total termination rate in 1940, including lapses of new policies and surrenders of older policies, fell to the lowest point in the past two decades.

How Your Agent Helps

Perhaps not many of the persons who received timely Metropolitan checks last year remembered that the encouragement of one man helped make this check possible. This man is the Metropolitan agent. In most cases, it was he who first convinced you of your need for life insurance.

The selling of life insurance is only a part of the agent's job. As Metropolitan's "service man" in your community, he renders a wide variety of services in connection with policies previously sold. He collects premiums, credits dividends, aids in making changes in mode of payment, changes of address, and varied other changes. Over a period of years, many things can happen that require alterations of one's program of protection. Beneficiaries die, additional children must be considered, incomes increase—permitting people to broaden their programs of protection—or incomes may decrease, necessitating other rearrangements.

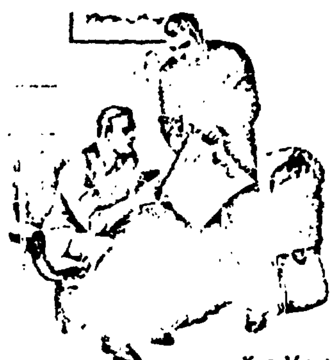
To help make these adjustments promptly and wisely, and to help keep your insurance in accord with changing needs and circumstances, you can depend on the agent. His advice and services are freely yours.

The man chosen to handle your insurance needs is generally picked from a group of applicants, and only after several interviews and careful investigation. However, there are not many openings to be filled in the ranks of agents. Last year, for example, the percentage of change in our field personnel was the lowest in Metropolitan's history. All agents whose services with the Company terminated in 1940 for all causes other than death, disability, or retirement, numbered less than 7% of the total number of Company agents. This is a real gain for policyholders. It means a more experienced and able body of agents, and better service to policyholders.

When an applicant with the essential qualifications for a Metropolitan life insurance career has been selected, he is given a course of instruction to master the fundamentals of his job. His career from then on is a mixture of study and schooling, and practical training on the job. Metropolitan's training program for its more than 19,200 agents requires the full time of a staff of more than 150 instructors, in addition to a large part of the time of about 3,300 Managers and Assistant Managers.

This carefully planned program has but one purpose: To develop a highly competent body of men who regard their work as a profession, so that you, and the Company's other policyholders, may enjoy the highest type of insurance service.

It is significant that nearly 2,000 members of Metropolitan's field organization have been with the Company for 20 years or longer, and more than 6,000 have served 10 years or more.



Your Metropolitan agent is at all times glad to give you expert help and advice on your insurance problems.

Dividends and the Cost of Your Insurance

In a mutual company, such as Metropolitan, the premium to be paid by the policyholder is fixed conservatively at an amount sufficient to cover the cost of furnishing the insurance under normal conditions and to provide a reasonable margin of safety in the event unforeseen contingencies should arise. It is highly important to policyholders and beneficiaries that the premium be adequate to enable the Company to fulfill every policy obligation.

The policyholder later receives annually in the form of dividends whatever sum is found not to have been needed with respect to each year's insurance. Thus mutual insurance enables the policyholder to obtain protection on a safe and sound basis at the actual cost of providing it.

A slight readjustment of dividends has been necessary for 1941, but few owners of Ordinary or Industrial premium-paying policies will receive smaller dividends this year under the 1941 dividend scales than they received last year under the 1940 scales. In fact, the vast majority of Ordinary policyholders will receive larger dividends.

The Company has set aside reserves for dividends payable in 1941 as follows:

Ordinary (including Group)	$57,881,878
Industrial	50,695,375
Accident and Health	3,840,000
Total	$112,417,253

This amount was set aside for dividends after reducing the stated value of the Company's assets by $19,360,000 (less net profits on assets sold and matured during the year), after strengthening the reserve basis on insurance policies and annuity contracts by $4,044,000, and after increasing the Company's contingency reserve by $14,153,000.

Dividends are payable annually when earned. They are in effect calculated by first determining the amount needed to pay for the cost of insurance on the basis of the Company's average experience as to interest, mortality, disability, expense, and need for a contingency reserve. This amount is then deducted from the premium paid by the policyholder plus the interest earned in excess of that required to maintain the reserve funds which assure the payment of future policy benefits.

The amount of the dividends therefore depends primarily on the interest rate earned, on the mortality and disability rates experienced, and on the skill and efficiency of the Company's management.

✦ ✦ ✦

EXAMPLE OF A DIVIDEND CALCULATION

Let us consider a policyholder who, in July of 1935 when he was 35 years of age, took out an Ordinary $1,000 Whole Life Paid-up at Age 85 policy.

For the sixth policy year terminating in July 1941, this policyholder paid an annual premium of	$25.35	
He is also credited with interest earned in excess of the 3% required to maintain reserves	.65	
		$26.00
The cost of the life insurance protection based on the Company's average recent experience was determined to be		20.74
The amount of the sixth policy year dividend payable on the anniversary of the policy in July 1941 therefore is		$5.26

INTEREST EARNINGS—The reserve funds which a company maintains to assure the payment of future benefits must be credited with an amount determined by the interest rate specified in the policy. This is why only the interest earned in excess of that which must be credited to the reserve funds is available for dividends.

During the past ten years the interest rate earned by life insurance companies (and by other financial institutions) has declined substantially, chiefly because of the increasingly low yield on new investments of the type suitable for life insurance companies.

The downward trend of interest rates continued throughout 1940, a natural result of which was a further substantial amount of refunding operations at the lower current interest level. The net interest return on Metropolitan investments for the year was 3.46%.

The current low level of interest rates is more evident in the rate at which new funds were invested, which in 1940 averaged approximately 2.65%. Exclusive of short term securities bearing a minimum return, the rate on new investments was 2.95%.

The return on the Company's total holdings, of course, is held up by those investments which were made in a period of higher interest rates. As these continue to mature, the proceeds of such investments must be reinvested at the current low level.

Since the National Defense program has gotten under way, and a greater realization of the debt that must be incurred for this purpose has become evident, interest rates have tended to become somewhat firmer.

Interest rates tend to rise and fall in cycles extending over a period of years. There are a number of factors which suggest that the long downward trend in interest rates has

HOW MORTALITY AND INTEREST RATES AFFECT YOUR DIVIDENDS

This dollar represents the dividends to policyholders out of last year's operations.

There would have been only this much for dividends if our mortality experience in 1940 had been as high as it was 10 years ago.

We would have had this much available for dividends if our earnings on investments in 1940 had been at the same rate as 10 years ago.

about run its course and that we may be entering a period of gradually increasing interest rates on new investments.

The effect on dividends of the decline in the interest rate is illustrated by the fact that if we had earned the same interest rate in 1940 as we did in 1930, there would have been about $78,000,000 more available for dividends and contingencies. An increase in the interest rate would, of course, increase the amount available for dividends, and thus reduce the cost of the insurance.

MORTALITY AND DISABILITY—A steadily improving mortality rate among policyholders in recent years has helped to offset to a degree the declining rate of earnings on investments. For example, because of the lower mortality rate, the Company had a saving on Ordinary death claims of about $5,000,000 compared with what it would have had to pay had the death rate in 1940 been the same as ten years ago. On the other hand, the claim experience on disability income benefits in Ordinary policies has been progressively worse, so that the cost of providing such disability coverage has more than doubled in the past ten years. This increasing cost has reduced the sum available for dividends on policies containing this benefit.

COST OF RUNNING THE BUSINESS—Competition among life insurance companies is an effective spur toward keeping operating expenses as low as possible consistent with good service. Your Company is continuously engaged in studying ways and means to improve still further the efficiency of its operations.

Despite additional expenditures arising from material expansions in services rendered to policyholders, and increased requirements by Federal and State departments, the service cost (excluding taxes) per dollar of insurance was lower in 1940 than it was ten years ago, for both Ordinary and Industrial policyholders.

How Your Money Was Invested

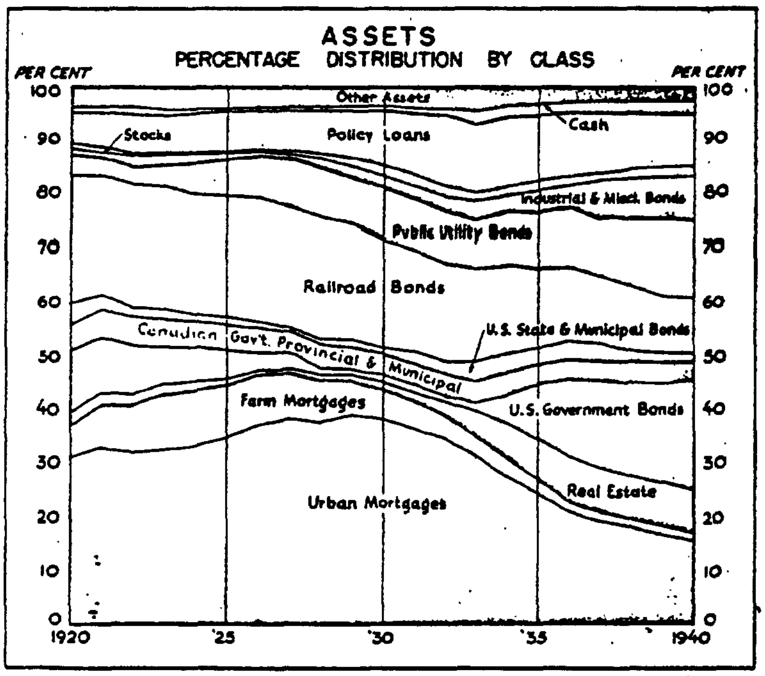
The assets of your Company—largely representing reserves on policies—amounted, at the end of 1940, to $5,357,791,000. This sum is built up out of premium payments in past years. Without it and future premiums we would be unable to meet our obligations to you and the other policyholders which will fall due next year and in the years to come.

These assets—except for a few items, such as cash on hand, which make up less than 5% of the total—are now busily earning interest for you by helping people to build homes, assisting America's industries to grow, our farmers to improve their efficiency in providing the nation's food, our governments to build roads and schools and hospitals and other essentials of civilized living. Through policy loans, part of these funds are helping policyholders meet urgent, current needs.

This flow of Metropolitan funds into activities that serve vital needs is typical of the whole investment experience of the Company over the years. As the needs of the country and the opportunities for sound investment vary over the years, so do the proportions of Metropolitan funds in different types of investment. The responsiveness of these funds to our country's needs you will find pictured in the chart below which shows how the investments of your Company have shifted within the space of twenty years in response to changing national conditions. While the proportions of different types of assets may vary from decade to decade, there is no lessening of the security back of your life insurance dollars. In fact, security was never sounder than today.

The laws of many States definitely prohibit life insurance companies from purchasing common stocks. Metropolitan enthusiastically subscribes to the soundness of this limitation,

This chart shows how Metropolitan invested funds have shifted over the past two decades in response to changing economic conditions and needs.



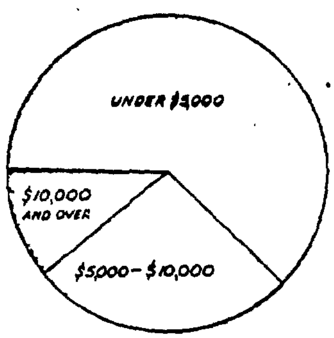
because it considers the safety of funds held for policyholders to be of primary importance. Another objection to this type of investment was cited in 1906 in the report to the New York Legislature of the Armstrong Committee, of which the Honorable Charles Evans Hughes was counsel, as follows:

> "Investments in stock should be prohibited. They are fundamentally objectionable, as the corporation, instead of holding a secured obligation, acquires a proprietory interest in another business, with rights subject to all indebtedness which must be created in the conduct of it and often direct liabilities as stockholders. This interest must be nourished and supported. Instead of being a creditor with adequate security, to which upon default the corporation may resort, it assumes the responsibilities of a proprietorship and must contribute from the accumulations provided by the policyholders in order to sustain the enterprise."

The record of the life insurance companies during the recent depression testifies to the soundness of the investment principles set forth by Mr. Hughes. Legal limitations, however, are not the only safeguard, for the law can only specify types of investment. Management must select the individual investments to be made, and on this selection the security and earning finally rest.

The principal source of safety is the care your Company exercises in the selection of its investments. Each major type of investment—such as city mortgages, industrial bonds, or farms loans—has its own group of specialists on our staff. Not only are the balance sheets and histories of prospective borrowers carefully analyzed, but, when advisable, their properties and plants are personally inspected by skilled investigators. Finally, each proposed investment must be passed upon by the Real Estate or the Finance Committee of the Board of Directors.

As this chart shows, most Metropolitan loans made on city properties are for small amounts. The majority of such loans now outstanding were for less than $5,000 when made. Only 11% were for $10,000 or more.



Another source of safety lies in the ability of the Company to spread its 100,000 investments among many kinds of securities and over almost every section of the country. This means that, to a far greater extent than any individual could manage for himself, we put your "eggs in many baskets." We have both large and small borrowers—ranging from United States Government to individual farmers, small home owners, and others. Of all outstanding Metropolitan mortgage loans on city properties, more than 88% were for less than $10,000 when made, and 62% were for less than $5,000. Outstanding loans on farm properties average less than $6,300.

Protecting Invested Funds

While safety of principal is the cornerstone upon which Metropolitan investment policies are based, there is no such thing, of course, as a completely riskless investment. There are times when your Company, in order to protect policyholders' funds, must move to foreclose an issue of bonds or a mortgage on which interest can no longer be paid and the principal may be in danger.

One of the ways Metropolitan protects its invested funds is by reconditioning the farms to which the Company has had to take title. By repairing, painting, and installing a scientific crop rotation system, the farm is once again made into a going concern.

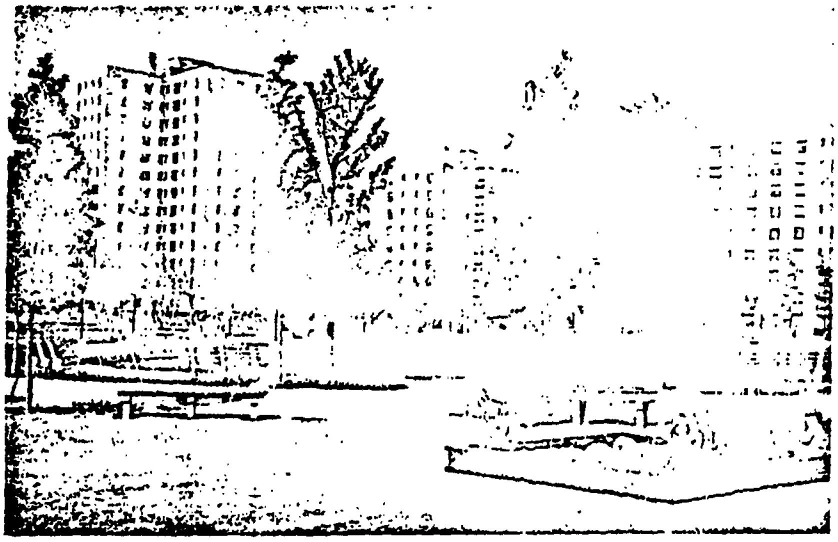
Last year, the occasions when Metropolitan had to step in to protect investments were fewer than in recent years. Both in number and amount, foreclosed properties held by the Company at the end of the year were down materially as compared with the year preceding.

Sales of Company-owned foreclosed real estate continued satisfactorily in 1940. During the year some 5,200 properties were disposed of for $39,400,000. As many of the sales are made on a basis of sales contract, wherein title to the property does not change hands until the contract has been substantially reduced, such sales do not immediately serve to reduce the real estate account. In addition, a substantial amount of sales, particularly in the Farm Loan Division, were entered into which will not be consummated until 1941.

The selling prices generally were at a somewhat lower margin over the book value of the properties than were received in 1939. In the case of property sold under contract, it is the Company's practice to enter on the books immediately losses involved, when sales are made below the former book value. On the other hand, when sales are made above the book value, profits are not taken until actual transfer of deed.

The News About Parkchester

The end of the year found your Company's great apartment community, Parkchester, in the northern section of New York City, well along toward completion. About 15,000 people had already moved in to enjoy its lawns and play spaces and sunny, well-planned apartments at very moderate rentals. The entire development, providing homes for about 40,000 people, will be completed in 1941. In this, the largest housing project ever undertaken in the United States (public or private), your Company has created its own investment opportunity.



A section of PARKCHESTER, Metropolitan's great housing project, which will be completed in 1941.

All the requirements of comfortable community living are being provided in Parkchester. It has its own central shopping district, with stores for every requirement, and also a theatre of 2,000 capacity. Hardly more than a quarter (27%) of Parkchester's 129 acres is occupied by buildings. Streets cover about 21%, and more than half is made up of landscaped and recreation areas. The large areas reserved for recreational facilities and landscaped lawns include a 2½ acre park.

Much-admired Parkchester is still another example of the way your Metropolitan life insurance dollars are helping to build America, while earning interest to help pay for the cost of your insurance protection.

Metropolitan and National Security

At this time questions of national security are being given first consideration, and the nation's resources are being mobilized. Metropolitan is doing its part in building an impregnable America. It is the function of life insurance to help make the individual and the family secure. Such security in the home aids materially in building national morale.

Hundreds of millions of Metropolitan funds are aiding the Federal Government's defense measures through the purchase of government bonds. The job of making America invulnerable to attack is requiring heavy governmental expenditures—a fact that has led some persons to question whether this will lead to "inflation."

Inflation is in essence an increase in price levels. Its extreme form occurred in Germany after World War I, when prices measured in marks rose to astronomical figures. There is nothing to indicate that our situation is at all analogous to that of Germany.

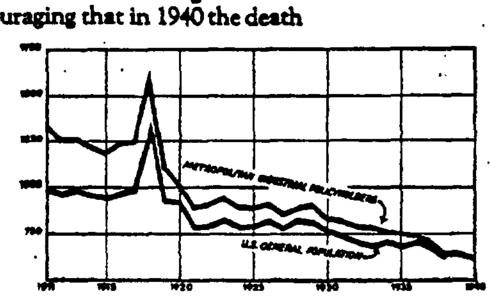
Ups and downs in prices have occurred, of course, throughout our history and can be expected to continue. During the last World War, the rise in cost of living was such that $1.00 in 1920, according to government figures, would purchase only half as much as $1.00 would in 1913. There is no evidence that life insurance buyers were disturbed by the "inflation." On the contrary, people bought more protection than ever before. The total insurance in force more than doubled. In other words, with the purchasing power of the dollar cut in half, people bought more than twice as much life insurance, thus maintaining the purchasing power for beneficiaries of their policies.

An illustration will show the soundness of this procedure. Suppose that prices of building construction rise to the point where the owner of a house is convinced that in case of fire it would cost him double the original cost to rebuild it. Far from cancelling his fire insurance, would he not then be likely to double it? The owners of life insurance policies who want their beneficiaries protected, regardless of price levels, would follow a similar course—for death takes no account of the ups and downs in the economic cycle.

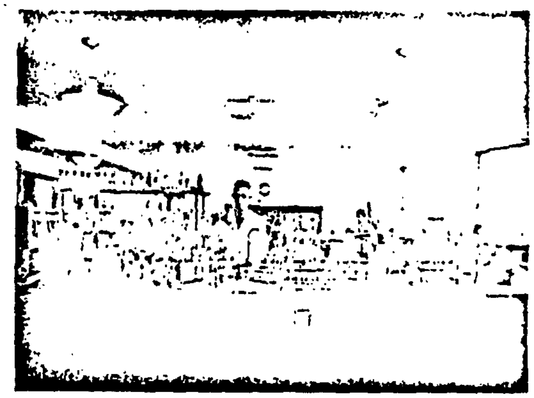
Your Company has been through two wars and a great many periods of severe economic change—depressions, financial panics, and periods of swiftly rising prices—and has emerged from each with a greater number of policyholders and larger financial reserve than before.

The Health of Our Policyholders

The health of the nation is an important factor in the fullest use of our human resources in building national security. Accordingly, it is encouraging that in 1940 the death rate among Metropolitan Industrial policyholders equalled the all-time low record set the year before. There was a substantial decline in the pneumonia death rate, which is now only about half what it was prior to 1937. There were also marked declines among several other causes of death.



This chart shows the declining death rate, during nearly three decades, for Metropolitan Industrial Policyholders and for the general population.



Intensive research to aid in the conquest of disease is carried on by Metropolitan scientists in this well-equipped bio-chemical laboratory.

This splendid record is the result of vision and hard work on the part of many people. They include unheralded heroes working with test tubes and microscopes in laboratories, Federal and local health officers, doctors, nurses, and members of various organizations which have realized that the best of ideas are of little value unless they are put into practice by the public.

Metropolitan has had a share in this work. Since 1909 the Company has maintained a division of specialists whose primary concern is the physical welfare of Metropolitan's policyholders. This division has conducted and fostered research aimed to conquer disease, and through an extensive educational program has passed on to our policyholders the latest findings of medical science.

An illustration of this work may be of interest. Some years ago our Welfare Division, along with other farseeing organizations, realized that if a method of determining the type of pneumonia could be developed, the treatment would be made more effective through the use of proper sera. Accordingly, the Company encouraged, by financial means and otherwise, part of the work which ultimately led to exact knowledge about the different types of pneumonia and the development of sera for the more common types.

Later on, the Company financed various research projects for the purpose of definitely ascertaining how derivatives of sulfanilamide might be effectively used in reducing deaths due to pneumonia. Further activities during 1940 included studies on the possibilities of vaccination against influenza and pneumonia, as well as continued cooperative effort in the development of sera and chemicals to treat pneumonia.

Funds were provided last year for a special demonstration in New York State to show how tuberculosis can be more rapidly eradicated. This demonstration, as is customary with practically all of our Welfare Division activities, was made in cooperation with health departments, medical societies and other agencies concerned.

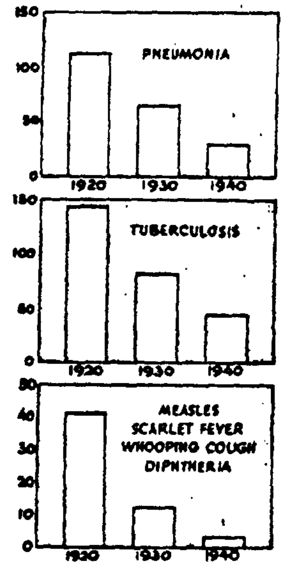
Whooping cough also was attacked with new vigor during the year. This disease warrants special attention, as it now causes almost as many deaths as diphtheria, measles, and scarlet fever combined. It is gratifying to note that the death rate of whooping cough declined about 25% during the year.

Special attention was paid to nutrition as a vital health factor. In cooperation with the U. S. Public Health Service, a film on this subject was prepared for showing in 1941. New literature on disease and accident prevention was prepared for distribution to policyholders.

The Company's program of health education involved the distribution of more than 52,600,000 booklets on health and safety subjects—authoritative booklets giving the best information that medical science can offer. In addition, through the pages of national magazines, your Company delivered each month to homes throughout the country more than 23,000,000 copies of a message giving authentic information on how to guard against disease and accidents.

Many hundreds of thousands of eligible policyholders availed themselves in 1940 of Metropolitan's Visiting Nurse Service. Since this service was initiated, such policyholders have received a total of 86,400,000 nursing visits. The day by day work of these nurses and the information they pass on to policyholders can hardly fail to be an important factor in the good health of America.

In these varied efforts aimed at bettering standards of health and the control and extermination of disease, your Company is making its contribution to the development of a strong nation.



In the short space of 20 years, death rates from many diseases have shown marked decreases. The charts above show these declines among Metropolitan Industrial policyholders for the diseases indicated.

Who Determines Metropolitan Policy?

The policies to be followed in the conduct of Metropolitan's business are established by the twenty-five men, including three officers, who comprise its Board of Directors. These men bring to the management of your Company's affairs the benefit of successful experience in a wide range of activities in the fields of business, finance and public service. Their business and professional affiliations are shown on page 23. It is exactly this broad experience which gives great value to their counsel concerning Metropolitan affairs. Without it, they could not adequately fulfill their responsibilities as Directors.

It is interesting to note that two Directors have been called to assist the Federal Government in connection with the National Defense program.

Metropolitan Directors are elected every two years, according to a procedure prescribed by the insurance laws of the State of New York, and which was outlined in some detail

The sound direction of Metropolitan's affairs by its Board of Directors assures policyholders of that which they most desire in life insurance—Security.

in a previous report to policyholders. An election will be held this spring, as you know, from your premium receipts or receipt books.

The law governing election of Directors, though amended in 1939, is substantially that recommended to the New York State Legislature by the Armstrong Committee of which Honorable Charles Evans Hughes was counsel. Commenting 20 years later, on the result of the law, Mr. Hughes made this statement:

> "It is well that policyholders should have the opportunity to correct improper management, and their power though latent must be real, they must have the final control. But if they undertook to manage affairs directly, they would make a mess of it. How to obtain the safeguard of ultimate control by those whose interests are at stake, and the continuity and efficiency of expert management, without the intrusions and insincerities of politics or the fantasies of dreamers, that is the great problem. It has been solved to a gratifying degree in your case. . . .
>
> "We have a fortunate balance, mutual undertakings under competent direction, with confidence in the integrity of management and a wholesome public supervision which is now as little menaced by political interference as any great public undertaking in democracy can well hope to be."

What State Insurance Departments Do

The New York State Superintendent of Insurance keeps in close touch with Metropolitan's affairs at all times. Copies of the minutes of meetings of the Board of Directors are sent to him regularly. As a further safeguard of the interest of policyholders, all life insurance companies must submit each year to the Insurance Department of every State in which they operate, a comprehensive report of their affairs. The form of these reports is prescribed by the Insurance Commissioners and they are designed to give information which will reveal the essential facts regarding the companies' business for the year. From these reports the trained personnel of the Insurance Department can form a dependable judgment concerning the Company's affairs.

There is still a further safeguard of the interests of policyholders in the State examinations of life insurance companies. Every three years, for example, the Insurance Department of New York is required to examine the affairs of each life company domiciled in the State. The supervisory officer of any other State in which the Company does business also has the power to examine the Company's affairs if he thinks it necessary. In fact, there is now being completed such an examination of this Company's affairs, by the N. Y. State Insurance Department in association with examiners representing five other States. Their report will be forwarded to the Insurance Departments of every

State in which Metropolitan operates, and will be filed as a public document for the information of any policyholder who is interested in the findings of the examiners.

The accomplishments of Metropolitan in 1940, and in the years that have gone before, are a reflection of the efforts of some 48,000 employees who are serving you and other policyholders. The day by day administration of the affairs of Metropolitan is under the supervision of the Company officers. These are men whose lives have been largely devoted to the service of Metropolitan policyholders. At present, their average length of service exceeds 27 years.

It is Metropolitan's desire that every policyholder shall understand how the Company operates. That is why the Company provides information regarding methods and results of operations through monthly advertisements in publications having a circulation of more than 21,000,000, through annual reports and other material distributed to policyholders by agents, and through answers to questions directed to agents or to the Home Office. Inquiries from policyholders are welcomed at all times.

As about 23,600,000 Americans and Canadians have charged us with the task of providing them with varying degrees of financial security, we are glad to submit this report of our performance in fulfillment of that trust.

H. H. Ecker.
Chairman of the Board.

Leroy A. Lincoln.
President.

Several thousand policyholders each week come to this section of Metropolitan's Home Office to pay premiums, or to get information or service in connection with their life insurance.

STATEMENT

Metropolitan presents its Business Report for the yea
the Annual Statement filed with the Nev

Assets Which Assure Fulfillment of Obligations

National Government Securities		$1,147,603,320.93
U. S. Government	$1,063,435,444.96	
Canadian Government . . .	84,167,875.97	
Other Bonds		1,947,840,273.51
U. S. State and Municipal . .	98,597,960.88	
Canadian Provincial and Municipal	104,071,903.62	
Railroad	556,382,872.40	
Public Utilities	709,433,300.58	
Industrial and Miscellaneous .	479,354,236.03	
Stocks		86,359,622.68
All but $47,952.13 are Preferred or Guaranteed.		
First Mortgage Loans on Real Estate . .		937,226,443.47
Farms	82,104,425.08	
Other property	855,122,018.39	
Loans on Policies		504,549,131.45
Made to policyholders on the security of their policies.		
Real Estate Owned		430,945,055.68
Includes real estate for Company use, and housing projects.		
Cash		150,740,516.25
Premiums Outstanding and Deferred . .		90,232,179.03
Interest Due and Accrued, etc.		62,295,093.32
TOTAL		$5,357,791,636.32

NOTE—Assets carried at $238,267,054.59 in the above statement
of law or regulatory authority. Canadian business

EMENT FOR 1940

(Report for the year ending December 31, 1940. (In accordance with filed with the New York State Insurance Department.)

ions	***Obligations to Policyholders, Beneficiaries, and Others***	
,320.93	Policy Reserves Required by Law. . . . This amount, together with future premiums and interest, is required to assure the payment of all future policy benefits.	**$4,665,558,926.00**
,273.51	Dividends to Policyholders . . . . . . Set aside for payment during the year 1941.	**112,417,253.00**
	Funds for Future Payment Under Supplementary Contracts	**139,378,189.86**
,622.68	Policy proceeds from death claims, matured endowments, etc., which beneficiaries and policyholders have left with the Company to be paid out to them in future years.	
	Held for Claims	**23,183,629.31**
,443.47	Amount of claims in process of settlement, and estimated amount of claims that have occurred but have not yet been reported to the Company.	
	Other Policy Obligations	**44,729,420.90**
,131.45	Including reserves for Accident and Health Insurance, dividends left with Company, premiums paid in advance, etc.	
	Miscellaneous Liabilities	**32,284,133.01**
,055.68	Liabilities not included above, such as taxes due or accrued.	
	TOTAL OBLIGATIONS	**$5,017,551,552.08**
.516.25	Special Funds	**16,370,000.00**
.179.03	Surplus	**323,870,084.24**
.093.32	This is a margin of safety, a cushion against unfavorable events which cannot be foreseen.	
.636.32	TOTAL	**$5,357,791,636.32**

e above statement are deposited with various public officials under requirements
Canadian business embraced in this statement is reported on basis of par of exchange.

REVENUE ACCOUNT FC

(A short story of the Company's open

We have received or have due for premium and other policyholders' paym
Our investments have earned net income (less investment expense) . . . .
TOTAL . . . .

We have paid to Beneficiaries and Policyholders on account of:

Death Claims . . . .
Matured Endowments . . . .
Disability Claims . . . .
Health and Accident Claims . . . .
Annuities . . . .
Surrender Values . . . .
Dividends . . . .
As allowance for direct payment of weekly premiums . . . .

TOTAL PAYMENTS TO BENEFICIARIES AND POLICY HOLI

We have paid for health and welfare work for policyholders and public . . . . . .
We have credited interest on policy proceeds left with the Company, etc. . . . . . .
Reserves, other policy obligations, special funds and surplus were increased . . . .

TOTAL PAID OR HELD FOR BENEFICIARIES AND POLI

We have paid or hold for payment for the operating expenses of the Comp

Agency and District Offices . . . .
New York Home Office and Head Offices in San Francisco, Calif.,

We have paid or hold for taxes (except on real estate and other invest ments)
We have reduced stated value of assets (less profit from sale or maturity), etc. .

TOTAL . . . .

OUNT FOR 1940 . . . . . .

e Company's operations during the year.)

olicyholders' payments	$803,156,448.88	
expense)	175,623,999.14	
. . . .		$978,780,448.02
nt of:		
. . . .	$175,752,484.97	
. . . .	111,826,082.32	
. . . .	10,696,543.92	
. . . .	15,306,010.86	
. . . .	13,544,786.41	
. . . .	157,156,857.50	
. . . .	116,696,907.04	
. . . .	8,014,284.56	
ND POLICY HOLDERS	$608,993,957.58	
. . . .	5,089,440.98	
. . . .	8,777,177.18	
sed	185,219,641.00	
RIES AND POLICYHOLDERS		$808,080,216.74
nses of the Company on account of:		
. . . .		91,361,051.38
Francisco, Calif., and Ottawa, Canada		42,338,635.25
ther investments).		17,477,440.80
maturity), etc.		19,523,103.85
. . . .		$978,780,448.02

TOTAL LIFE INSURANCE IN FORCE ON DECEMBER 31, 1940

Ordinary	**$12,268,031,262**
Industrial	**7,505,005,064**
Group	**4,150,747,852**
TOTAL	**$23,923,784,178**

Accident and Health Insurance

Weekly benefits	**$21,674,382**
Principal sum benefits	**1,538,261,000**

PAYMENTS TO BENEFICIARIES AND POLICYHOLDERS DURING 1940

Ordinary	**$258,558,275.95**
Industrial	**278,798,171.52**
Group Life, Health and Annuities	**68,636,806.82**
Personal Accident and Health	**3,000,703.29**
TOTAL	**$608,993,957.58**

Number of new Life policies issued 2,704,012

METROPOLITAN DIRECTORS

FREDERICK H. ECKER, New York, N. Y.
Chairman of the Board
Metropolitan Life Insurance Company

*MITCHELL D. FOLLANSBEE, Chicago, Ill.
Member, Follansbee, Shorey and Schupp
Attorneys at Law

JOSEPH P. DAY, New York, N. Y.
President, Joseph P. Day, Inc., Real Estate

LANGDON P. MARVIN, New York, N. Y.
Member, Emmet, Marvin and Martin
Attorneys at Law

WILLIAM L. DEBOST, New York, N. Y.
President, Union Dime Savings Bank

JEREMIAH MILBANK, New York, N. Y.
Milbank & Co.

D'ALTON CORRY COLEMAN, Montreal, Canada
Senior Vice-President,
Canadian Pacific Railway Company

NEWCOMB CARLTON, New York, N. Y.
Chairman of the Board
Western Union Telegraph Company

LEROY A. LINCOLN, New York, N. Y.
President,
Metropolitan Life Insurance Company

HARRY W. CROFT, Greenwich, Conn.
Retired, formerly Chairman of the Board
Harbison-Walker Refractories Company

THOMAS H. BECK, New York, N. Y.
President,
The Crowell-Collier Publishing Company

WALTER EWING HOPE, New York, N. Y.
Member, Milbank, Tweed and Hope
Attorneys at Law

*Died Jan. 26, 1941

SAMUEL W. FORDYCE, St. Louis, Mo.
Member, Fordyce, White, Mayne, Williams and Hartman, Attorneys at Law

GEORGE MCANENY, New York, N. Y.
Chairman of the Board
Title Guarantee and Trust Company

ROBERT V. FLEMING, Washington, D. C.
President and Chairman of the Board
Riggs National Bank

FREDERIC W. ECKER, New York, N. Y.
Vice-President
Metropolitan Life Insurance Company

WINTHROP W. ALDRICH, New York, N. Y.
Chairman of the Board
Chase National Bank of New York

WILLIAM W. CROCKER, San Francisco, Calif.
President,
Crocker First National Bank of San Francisco

AMORY HOUGHTON, Corning, N. Y.
President, Corning Glass Works

LOUIS S. ST-LAURENT, Quebec, Canada
Member, St-Laurent, Gagne, Devlin & Taschereau, Attorneys at Law

ERNEST E. NORRIS, Washington, D. C.
President, Southern Railway System

THOMAS H. MCINNERNEY, New York, N. Y.
President, National Dairy Products Corp.

PHILIP D. REED, New York, N. Y.
Chairman of the Board
General Electric Company

JUAN T. TRIPPE, New York, N. Y.
President, Pan-American Airways System

WEBSTER B. TODD, New York, N. Y.
President, Todd and Brown, Inc., Builders

METROPOLITAN OFFICERS

FREDERICK H. ECKER, Chairman of the Board

LEROY A. LINCOLN, President

FREDERIC W. ECKER,
Vice-President

JAMES E. KAVANAGH,
Vice-President

ERNEST H. WILKES,
Vice-President

HENRY E. NORTH,
Vice-President

JAMES P. BRADLEY,
Secretary

HARRY C. HAGERTY,
Treasurer

HORACE R. BASSFORD,
Actuary

WILLIAM S. NORTON,
Comptroller

CHARLES G. TAYLOR, Jr.,
Second Vice-President

SAMUEL MILLIGAN,
Second Vice-President

ALEXANDER C. CAMPBELL,
Second Vice-President

FRANCIS M. SMITH,
Second Vice-President

FREDERIC G. DUNHAM,
General Counsel

HARRY COLE BATES,
General Counsel

CHARLES L. CHRISTIERNIN, M.D.,
Medical Director

JAMES L. MADDEN,
Third Vice-President

DONALD B. ARMSTRONG, M.D.,
Third Vice-President

LOUIS I. DUBLIN, Ph.D.,
Third Vice-President and Statistician

CECIL J. NORTH,
Third Vice-President

ARTHUR W. TRETHEWEY,
Third Vice-President

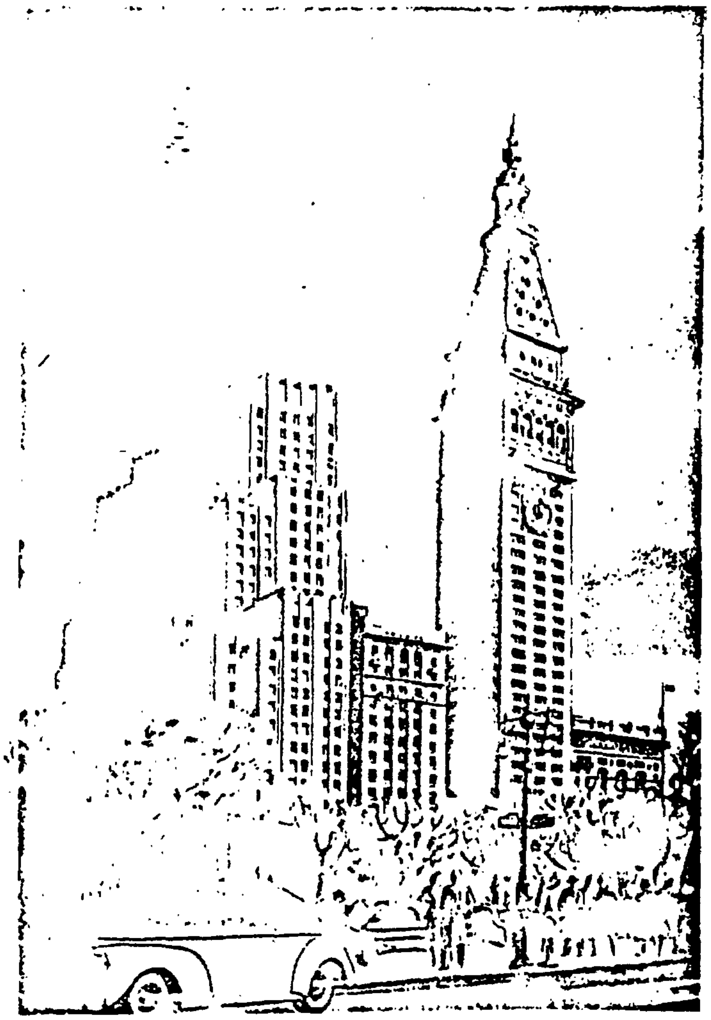
EARL O. DUNLAP,
Third Vice-President

EDWIN C. McDONALD,
Third Vice-President

GLENN E. ROGERS,
Third Vice-President

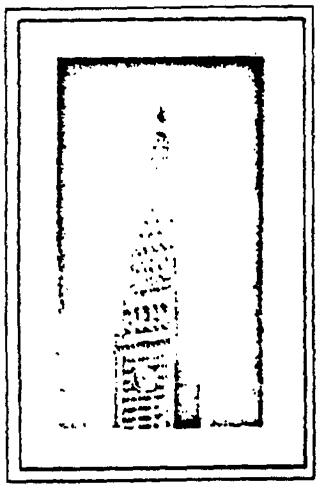
WILLIAM A. BERRIDGE, Ph.D.,
Economist

WILLIAM J. HARPER,
Personnel Officer



A view of the Home Office of the Metropolitan Life Insurance Company in New York City. Head Offices are maintained in San Francisco and in Ottawa, Canada. In addition, more than 1,100 District and Detached District Offices are maintained throughout the United States and Canada for the convenience of policyholders.

Statements, Manual 1940



M. L. I. CO. PRESS—T.4113—PRINTED IN U.S.A.