

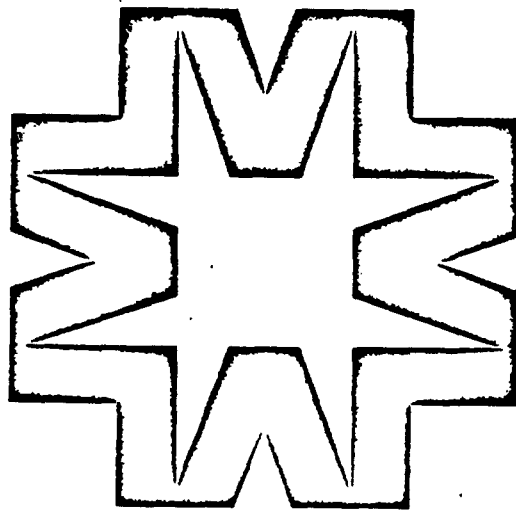
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report to policyholders for the year ended December 31, 1969

PLAINTIFF'S EXHIBIT

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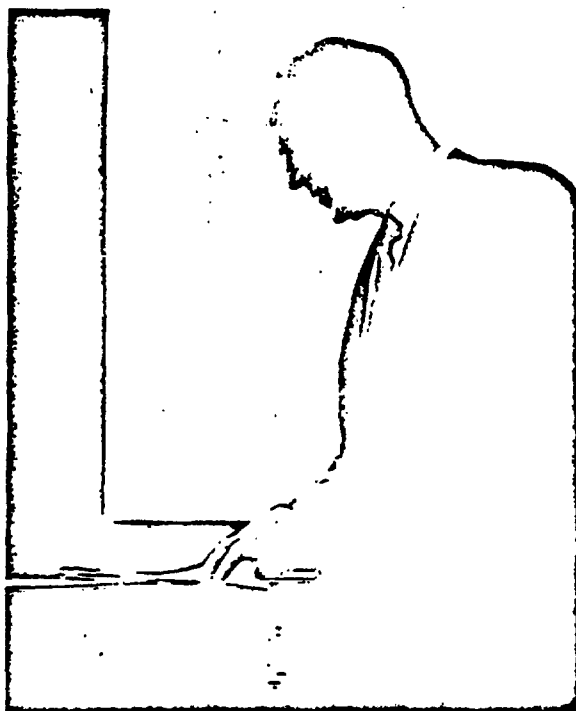
Metropolitan Life

report to policyholders for the year ended December 31, 1969



Metropolitan Life

to Metropolitan policyholders



Gilbert W. Fitzhugh
Chairman of the Board

This past year was one of major accomplishment for Metropolitan Life; it was a year characterized by dramatic growth, change, the development of new products, and new directions in investments.

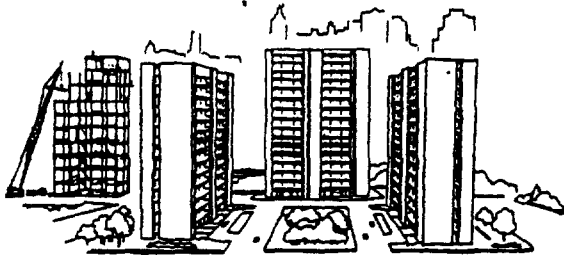
We enter the 70's on the move, with an enthusiasm generated by our success in 1969—one of the best years in the Company's history.

It is significant to note that the achievements of the year included a new record high in benefit payments to policyholders and beneficiaries, and the sale of more personal insurance, for more premium, than ever before.

A realignment of executive responsibilities in 1969 resulted in the elevation of George P. Jenkins and Charles A. Siegfried to Board Vice-Chairmen, and Richard R. Shinn to the Presidency and Board membership. In separate sections of this report, each of them will outline some of the important events and accomplishments of 1969 in the areas of his special concerns.

Last summer when President Nixon asked me to serve as chairman of a new blue-ribbon panel to study Defense Department organization and management, the knowledge that the other three Officer-Directors had assumed greater shares of executive responsibility was a prime factor in making it possible for the Board of Directors to authorize me to accept this invitation. I was, and am, confident that with the support of these Officer-Directors, and by withdrawing from other "outside" activities, I could accept President Nixon's invitation and still discharge my duties as Metropolitan's chief executive officer.

This sharing of executive responsibility reflects credit-



ably on the flexibility, vitality and resources of our entire Metropolitan organization. In a period of rapid change these characteristics are essential corporate assets.

The Board of Directors gained the valuable and varied experience of four new members. In addition to Mr. Shinn, those elected were: Charles F. Luce, Chairman of the Board of Consolidated Edison Company; Cornelius W. Owens, President of New York Telephone Company; and Robert C. Weaver, President of Bernard M. Baruch College and former Secretary of Housing and Urban Development in President Lyndon B. Johnson's administration.

As a Company and as individuals we have continued to act and react to the needs of the times. In this respect we are:

- gratified that Metropolitan's dollars and expertise and faith in the future are being invested in the well-being of all of the populace, irrespective of race, creed, color or national origin. In line with this philosophy we agreed to accept our proportionate share of the life insurance industry's second billion dollar program, a program designed to improve housing conditions and finance job-creating enterprises in central city areas;
- concerned about the dangers of inflation, which has become an overshadowing and unresolved problem of our time;
- enthusiastic about the potential of the new products that we introduced in 1969;
- pleased with the improved service we can offer to our

policyholders through the extended application of electronics and through recently established additional offices to accommodate the growing needs of our business.

Throughout our history we have been a Company on the move. We were among early developers in making insurance available on the lives of wage earners and their families; we were one of the first companies to recognize good corporate citizenship and, as a business, to do something about our social responsibilities; we were the first to introduce insured pension plans and many other types of insurance products; and we were pioneers in the development and use of electronic data processing. To accomplish what we have in the 101 years of our existence, we have had to be receptive to change in order to meet the needs of a constantly changing society.

As we move aggressively in the last third of this century, the prospects for the future of our business are exciting. Our success in this new era will depend, as it has in the past, on the skills, the performance and the enthusiasm of our many fine employees; it will also depend upon our ability to compete and to market those products, new and old, which will enable us to provide current and future policyholders with financial security at the lowest cost consistent with our high standards of quality service. The success of these efforts will ensure that in the decade of the 1970's, Metropolitan will continue as an important factor in the areas of health, financial protection, savings, investments, public affairs and economic stability, among the people and the communities of the United States and Canada.

Robert W. Fitch

significant facts

Payments to policyholders and beneficiaries reached a new record high of \$3,005,266,082. This averaged \$28,361 a minute each business day. The overall figure includes:

Death benefits	\$960,522,560
Payments to living policyholders, excluding dividends	
Under life insurance policies	791,311,751
Under health insurance policies	619,906,360
Dividends to policyholders	633,525,411

■ Total life insurance issued amounted to \$13,182,982,379, made up of \$9,684,986,592 in personal insurance and \$3,497,995,787 in group insurance.

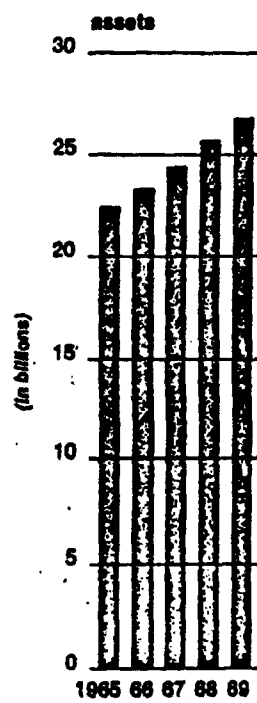
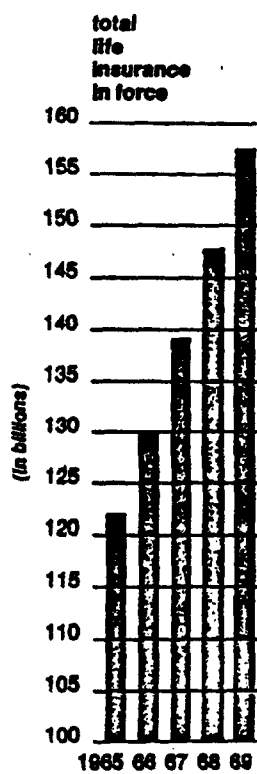
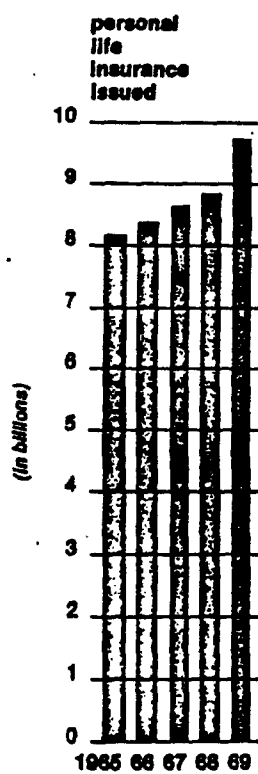
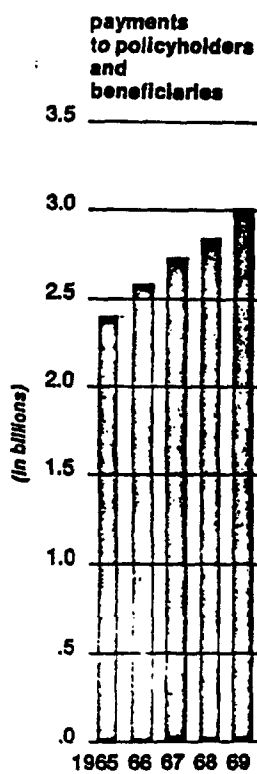
■ Metropolitan had more life insurance in force than any other company: It totalled \$157,504,054,069, made up of \$80,654,096,286 of personal and \$76,849,957,803 of group life insurance.

■ Total assets held for the benefit of policyholders amounted to \$26,829,862,274—a new high.

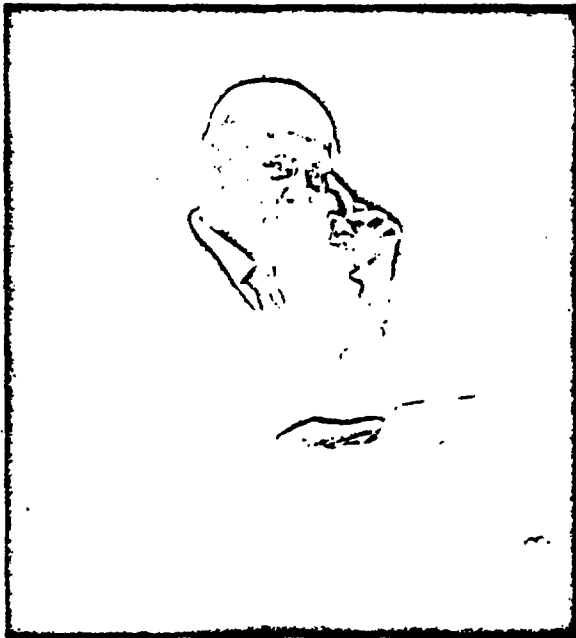
■ Net rate earned on assets rose 18 points, from 5.05% to 5.23%.

■ At the year-end, a total of 36,800,000 people were covered by Metropolitan life insurance, and a total of 16,500,000 were covered by health insurance.

■ The number of people protected by some form of Metropolitan insurance, with adjustments for individuals with more than one coverage, is estimated at 48,200,000, approximately one out of every five persons in the United States and Canada.



**report of the
vice-chairman of the board and
chairman of the executive committee**



**Charles A. Siegfried
Vice-Chairman of the Board and
Chairman of the Executive Committee**

Metropolitan's business is much affected by most of the forces that influence the lives of people throughout the United States of America and Canada. This fact explains many of the things we do and many of the results of our activities. This involvement—this inter-reaction—was especially notable in 1969.

The Climate Affecting Life Insurance

One of our major concerns is with the length of human life. While we paid out more in benefits in 1969 than ever before, this reflected a larger volume of insurance and not higher rates of mortality.

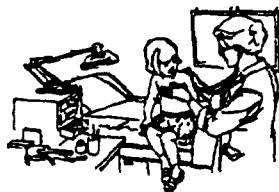
The generally favorable mortality rates and the higher rates of return realized on investments have made it possible to provide life insurance benefits at a lower cost per unit of insurance than in the past—even though inflation has forced an increase in business expenses. As a result, effective January 1, 1970, dividend levels of most Personal Life Insurance policies were again increased.

Health Insurance

Health Insurance is a major branch of Metropolitan's business. It is directly concerned with coverages that pay benefits to defray the costs of medical care, such as hospital bills and doctors' fees; it also provides weekly or monthly income during periods of disability.

Rising costs of medical care and changing concepts of treatment are confronting everyone—the public, insurance companies, the providers of services, and others—with many new and difficult problems. In 1969, Metropolitan continued in its endeavors to help with these problems. Many existing group insurance plans were expanded and improved. Efforts were pursued to find new ways of dealing with certain costs, notably in the payment for prescription drugs.

Our involvement in these matters has led us to support the search for new ways to improve the delivery of medical care. To this end we have continued substantial support of a research program of the Medical School of Washington University in St. Louis, Missouri. A facility there has now



begun to provide medical care for a selected group of families. The major purpose of this research is to provide good medical care more efficiently and at lower cost.

Other Health Activities

A new 24-minute color motion picture entitled "Looking at Children" was produced and released in the spring. It is designed to instill an understanding of the health problems of children, and to help in the detection of early signs of illness and defects. It is available on request for school and professional health groups. Inquiries should be directed to: Health and Welfare Division, Metropolitan Life, One Madison Avenue, New York, N.Y. 10010.

Metropolitan Life's health and safety messages have long served the public interest; last year, keeping in step with current problems, one of them was devoted to drug abuse. In the language of young people, it outlined the dangers of amphetamines or pep pills. Appearance of the "Speed Kills" message in national magazines brought an outstanding public reaction in the form of favorable letters—many from teen-agers themselves—and plaudits from medical, governmental and educational sources. In light of this response and the growing seriousness of the problem, the Company is moving ahead with one-minute public service announcements on radio and television to further expound the dangers involved in drug abuse.

Retirement Plans

Helping to provide incomes during retirement is another major area of Metropolitan's business. We have made many changes in plans, services and practices to keep pace with modern developments.

In recent years there has been an increasing desire on the part of group customers for equity investments for their retirement plans. The Company's receptivity to change is reflected in a new group pension and deferred profit-sharing portfolio offering a broad scope of contracts to meet varying needs. As an example, an option is available to employers to purchase a group variable annuity for employees at retirement, a fixed-dollar annuity, or a combination of both.

Urban Affairs and National Problems

Metropolitan's concern with the health and safety of its policyholders led to an early involvement with social problems. A Health and Welfare Division was established in 1909. Its initial campaign was one to combat tuberculosis, or consumption, as it was then called, at that time one of the most feared of diseases. Sixty years later, we were still deeply involved, but the newest "enemies" were deteriorating city core areas, and drug abuse. As the United States and Canada have grown, so have their health and social problems. Today, those problems loom as large, or larger, than they did at the turn of the century.

Helping to improve the quality of life in our cities continued to be a major Company goal. A portion of Metropolitan's investments played an important part in efforts to provide housing and new jobs in the central core areas of cities. A new center was established to train worthy unemployed and underemployed people from minority groups. More than 400 "graduated" from this program in 1969, and most of them now hold regular clerical jobs. In addition, in its first full year of operation, our new Department of Urban Affairs coordinated Metropolitan's many other activities among groups involved in the urban crisis. We firmly believe that these and similar efforts of others are making progress toward understanding and good will among the diverse peoples of our pluralistic society.

Maintaining Perspective

Metropolitan has long recognized the need for a three-way approach to many of society's problems: Through individual effort and private responsibility; through the cooperative efforts of employers and employees; and through the social programs of government. Much of what is going on today reflects a desirable interplay among these three areas. Through the insurance plans it offers to individuals and to employers, and through its efforts to help society cope with changing conditions, Metropolitan endeavors to strengthen and improve the effectiveness of this three-way relationship.

Metropolitan Life assets and l
(Summarized from the Annual Statement filed with tl

Assets

Bonds		\$13,176,768,170
U.S., Canadian and other government	\$ 954,802,267	
Provincial, municipal, public agencies	172,960,398	
Industrial and commercial	9,312,289,783	
Public utility	2,318,874,174	
Railroad	420,041,538	
Stocks		446,696,252
Preferred or guaranteed	\$ 167,128,600	
Common	279,569,652	
Mortgage Loans on Real Estate		10,352,374,666
Residential, commercial and industrial	\$9,705,597,735	
Farms and ranches	646,776,931	
Real Estate		494,134,637
Housing projects and other real estate acquired for investment	\$ 407,918,040	
Properties for Company use	82,615,506	
Other properties	3,601,091	
Policy Loans (made to policyholders on the security of their policies)		1,148,205,626
Cash and Bank Deposits		131,386,552
Other Assets (chiefly premiums and interest due or accrued)		839,393,228
Separate Account Business		240,903,143
Total Assets		\$26,829,882,274

Note—Assets amounting to \$1,230,023,084 are deposited with various public officials and trustees under the requirements of law or regulatory authority.

nd liabilities/December 31,1969
with the Insurance Department of the State of New York)

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)	\$21,742,999,939
Policy Proceeds and Dividends Left with Company by beneficiaries and policyholders, to be paid to them as directed at future dates	974,648,386
Set Aside for Dividends to Policyholders (payable in 1970)	529,484,699
Policy Claims Currently Outstanding (claims in process of settlement, and estimated claims that have not yet been reported)	232,696,676
Other Policy Liabilities (including premiums received in advance, funds held for special risks under certain group policies and for certain personal health policies)	975,707,469
Taxes Accrued (not yet payable)	77,170,240
Mandatory Securities Valuation Reserve	193,667,580
Mortgage Loan Valuation Reserve	39,771,000
All Other Liabilities	104,805,082
Separate Account Business	240,903,143
Total Liabilities	\$25,111,864,214
Special Contingency Reserves	\$ 284,262,000
Group life insurance reserve for epidemics, etc.	\$127,000,000
Special reserve for possible loss or fluctuation in the value of investments	156,512,000
Special contingent reserve fund for separate account business	750,000
General Contingency Reserve (unassigned surplus)	1,433,736,060
Total Surplus Funds (Special and General Contingency Reserves)*	1,717,998,060
Total Liabilities and Surplus Funds	\$26,829,862,274

*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.

**report of the
vice-chairman of the board and
chairman of the finance committee**



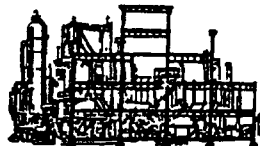
**George P. Jenkins
Vice-Chairman of the Board and
Chairman of the Finance Committee**

Metropolitan is on the march in an all-out effort to help achieve growing economies in the United States and Canada by adhering to sound investment policies.

Inflation

Inflation is one of the greatest and most insidious threats to any economy, and all of us in the life insurance business feel that it must be fought with all our resources—both inflation itself, as well as the expectation of inflation. Inflation is a hidden tax on all our people, which could become a disaster if not brought under control. It is not only a burden for people on fixed incomes, but when it begins to accelerate sharply, it puts even those with rising incomes on a treadmill. If unchecked, inflation tends to accelerate and could ultimately endanger our way of life.

Control of inflation requires the dedicated cooperation of all segments of society. This calls for sound fiscal policies by governments at all levels; it requires the continuance of sound monetary policies by the central banking authorities; it means sensible buying practices by con-



sumers and businesses; and it demands moderation in pricing policies and in wage negotiations and settlements in all segments of the United States and Canadian economies—both private and government.

Investments

Through its investments, Metropolitan contributes substantially to the real growth and basic health of the economies of our two countries. During 1969, Metropolitan investment funds found their way back into communities throughout the United States and Canada and into various parts of the social structure. For example, Metropolitan provided, or made commitments for, the financing of many new and imaginative multi-million dollar real estate developments including an office building in Chicago; a bank building and a hotel in Indianapolis; an office building complex in San Francisco; a hotel and office building in New Orleans; a joint venture in Houston which will construct multiple office buildings and a modern hotel; an office building and retail complex in Halifax; an apartment and business develop-

ment in Montreal; and a large regional shopping center on Long Island, New York. In addition, of course, the Company continued to provide financing for one- to four-family dwellings, through local loan correspondents, and also continued its investments in farm and ranch mortgages.

Other areas of investment include substantial sums for a gigantic hydroelectric power development in Labrador, for the erection of a large and important telephone building in Ottawa, and for a liquified natural gas project and tankers to utilize the extensive natural gas reserves in Alaska. In addition, the Company has committed more than \$100,000,000 toward the economic growth of Hawaii. Also, large loans were made for the development, by mining and metals manufacturing companies in the United States and Canada, of natural resource projects in other parts of the world.

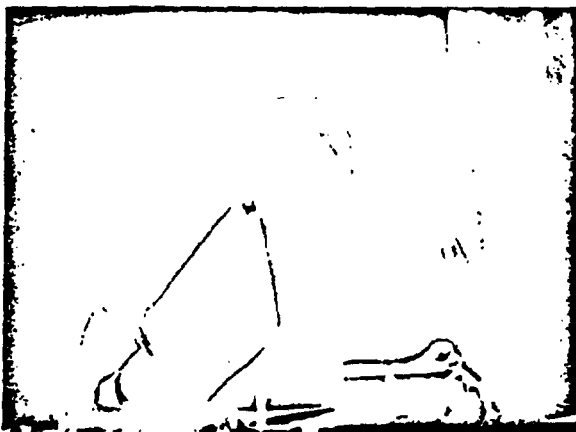
While bond and common stock investments continue to be substantial, an increasing proportion of long-term funds is being invested in joint ventures and other interests in real estate.

summary of operations and surplus funds
for the year ended December 31, 1969

Premiums and annuity considerations		\$3,620,782,037
Earnings from investments after investment expenses and taxes		<u>1,306,560,129</u>
Total		\$4,927,342,166
Payments to policyholders and beneficiaries		
Death benefits	\$960,522,560	
Matured endowments	175,800,339	
Health policy benefits	619,906,360	
Disability benefits in life policies	48,736,842	
Annuity benefits and interest on policy or contract funds	212,695,647	
Cash values	354,076,923	
Dividends on policies	<u>633,525,411</u>	\$3,005,266,082
Additions to reserve liabilities for future payments		<u>937,833,536</u>
Total paid or added to reserve liabilities for future payments to policyholders and beneficiaries		\$3,943,099,618
Insurance expenses (including health and welfare costs)		642,991,990
Taxes (other than investment taxes)		
Federal income taxes	\$178,059,907	
Other taxes	<u>82,866,457</u>	<u>260,926,364</u>
Total		\$4,847,017,972
Gain from operations before surplus fund transactions		\$ 80,324,194
Surplus fund transactions—decreases in surplus funds		
Due to increase in benefits on certain existing policies	\$ 25,356,801	
Net capital losses (unrealized and realized) of \$60,955,220, less net decrease in mandatory securities valuation reserve and mortgage loan valuation reserve of \$44,496,798	18,456,422	
Other net adjustments	<u>18,956,491</u>	<u>\$ 60,769,714</u>
Net increase in total surplus funds		\$ 19,554,480
Total surplus funds, January 1, 1969		<u>1,698,443,580</u>
Total surplus funds, December 31, 1969		\$1,717,998,060

Note—The above statement includes Separate Account transactions.

report of the president



Richard R. Shinn
President

For Metropolitan a major goal for the 70's is continuing sound growth. We shall seek to extend our established insurance coverages; we shall seek to create imaginative new products; and we shall seek always to improve services to our policyholders.

In these efforts we shall continue to place great emphasis on research, planning, and development to find new, better and more economical ways to make the Company ever more dynamic and progressive.

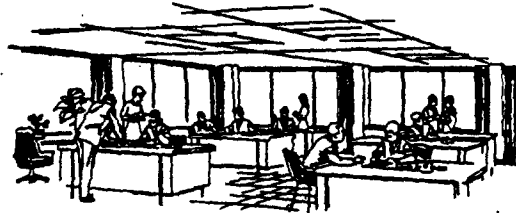
New Frontiers

Higher incomes, greater amounts of spendable income, and more complex estate planning arrangements have created new needs for higher levels and greater breadth of insurance coverages. One result of these developments was the establishment of a new unit to supplement Metropolitan's regular sales organization. It is known as the National Territory and is made up of 40 Branch Offices. These Branch Offices are staffed with professionally trained representatives, expert in designing pension plans and arranging estate conservation programs, and thoroughly qualified to serve an increasingly important and valued higher-income clientele.

Operation "Aloha" thrusts Metropolitan services and resources prominently into the mainstream of the rapid economic growth of our 50th State, Hawaii. Through our new Branch Office in Honolulu, we can build upon the already substantial contributions Metropolitan has made in the development of the Islands.

New Products

Century 21. This new policy, introduced in 1969, helps to provide answers to life insurance needs that arise from the rapidly developing potential of our new generation of young career men and women. The minimum amount that can be issued is \$100,000. This policy combines a foundation of permanent whole life insurance with a carefully proportioned amount of term insurance to produce a low starting



premium which nonetheless can create a substantial instant estate. By converting parts of the term portion of the policy into permanent insurance at convenient two-year intervals, these successful young people can then own \$100,000 or more of permanent, cash value, whole life insurance by age 47.

Individual Variable Annuity. This is a new form of contract for tax-qualified retirement plans which combines insurance features with equity-type investments. Values under this contract will vary with the investment experience of a diversified portfolio of common stocks and other equity-type securities. It adds an important dimension to our annuity services.

Major Medical Policy. Recognizing the tremendous advances that have been made in so many areas of medical science—and the recent steep rise in the cost of medical care and treatment—Metropolitan marketed this new personal policy to provide broader and better coverage to meet those costs. The policy makes available increased room and board allowances, a larger maximum benefit for each sickness or accident, and an increased maximum total benefit.

Pension Insurance Policy. The increasingly important role of pensions in the economy is the backdrop for this new policy. It provides insurance coverage during active employment, and pension coverage after retirement. It also permits the employer to supplement the pension by providing additional funds during the employee's active employment.

Each of these new products is valuable and fills a definite need. Yet for most people the basic types of insurance protection continue to be the versatile whole life policies, health insurance policies and annuity contracts.

Space, Communications, People

Expanding operations resulted in plans for the opening of

new offices — called "Data Centers" — in areas near the Home Office. These offices will be located in Kingston, Pennsylvania; Providence, Rhode Island; Lake Success, Long Island; and on Staten Island. While these Data Centers will handle specific operations, the broad, basic functions of the departments involved will continue to be centered in the Home Office.

During 1969 Metropolitan further developed the potential of the vast electronic communications system which it pioneered. A wide variety of field office transactions now can be completed expeditiously through telephone lines with our computer systems in the Home and Head Offices, thereby making Metropolitan's service to its policyholders more prompt and more efficient.

The outstanding achievements of 1969 would not have been possible without the devotion, the diligence, and the cooperation of the many thousands of Metropolitan men and women in the Home and Head Offices and among the sales and office staffs in all parts of the United States and Canada and overseas.

Some of these people perform important clerical work; others deal with broad issues of the day and with important aspects of Company operations; still others are specialists, professionals or highly skilled technicians. Among those having the widest influence are Metropolitan's increasingly well-trained sales representatives. These thousands of salesmen and saleswomen offer reliable insurance counseling and carefully personalized insurance service; they show their clients how to protect themselves and their families with the proper kinds of insurance; they advise on the most effective use to which insurance proceeds may be put; they are an unsung force for good in the personal and economic lives of countless individuals.

The dedicated labors of all Metropolitan people are recognized and deeply appreciated; they are the Company's most important asset and its most constructive force in its efforts faithfully to serve its millions of policyholders.

board of directors

Amory Houghton, New York, N.Y., Honorary Chairman of the Board, Corning Glass Works
Phillip D. Read, New York, N.Y.
Juan T. Tripps, New York, N.Y., Honorary Chairman of the Board, Pan American World Airways, Inc.
Webster B. Todd, New York, N.Y.
Gale F. Johnston, St. Louis, Mo., President, Mercantile-Commerce Company
Robert L. Hamill, New York, N.Y., Chairman of the Board, Sanderson & Porter, Inc.
G. Keith Funston, Stamford, Conn., Chairman of the Board, Olin Corporation
Edwin C. McDonald, New York, N.Y., Chairman of the Board, Thomson Newspapers, Inc.
Frederick R. Kappel, New York, N.Y., Retired Chairman of the Board, American Telephone and Telegraph Company
Walter R. Williams, Jr., New York, N.Y., Chairman, Union Dime Savings Bank
Charles Allen Thomas, St. Louis, Mo., Retired Chairman of the Board, Monsanto Company
W. Earle McLaughlin, Montreal, Canada, Chairman and President, The Royal Bank of Canada
Gilbert W. Fitzhugh, New York, N.Y., Chairman of the Board, 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, The Singer Company
George P. Jenkins, New York, N.Y., Vice-Chairman of the Board and 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., Retired Chairman of the Board, Mobil Oil Corporation
Thomas F. Patton, Cleveland, Ohio, Chairman, Republic Steel Corporation
Gerald A. Savage, Chicago, Ill., President, Marshall Field & Company
Emmett G. Solomon, San Francisco, Calif., Chairman of the Board, 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., Vice-Chairman of the Board and Chairman of the Executive Committee, Metropolitan Life Insurance Company
Charles F. Luce, New York, N.Y., Chairman of the Board, Consolidated Edison Company of New York, Inc.
Richard R. Shinn, New York, N.Y., President, Metropolitan Life Insurance Company
Cornelius W. Owens, New York, N.Y., President, New York Telephone Company
Robert C. Weaver, New York, N.Y., President, The Bernard M. Baruch College

Metropolitan Life Insurance Company

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New York, New York 10010

Pacific Coast Head Office:

600 Stockton Street
San Francisco, California 94120

Canadian Head Office:

180 Wellington Street
Ottawa 4, Ontario, Canada

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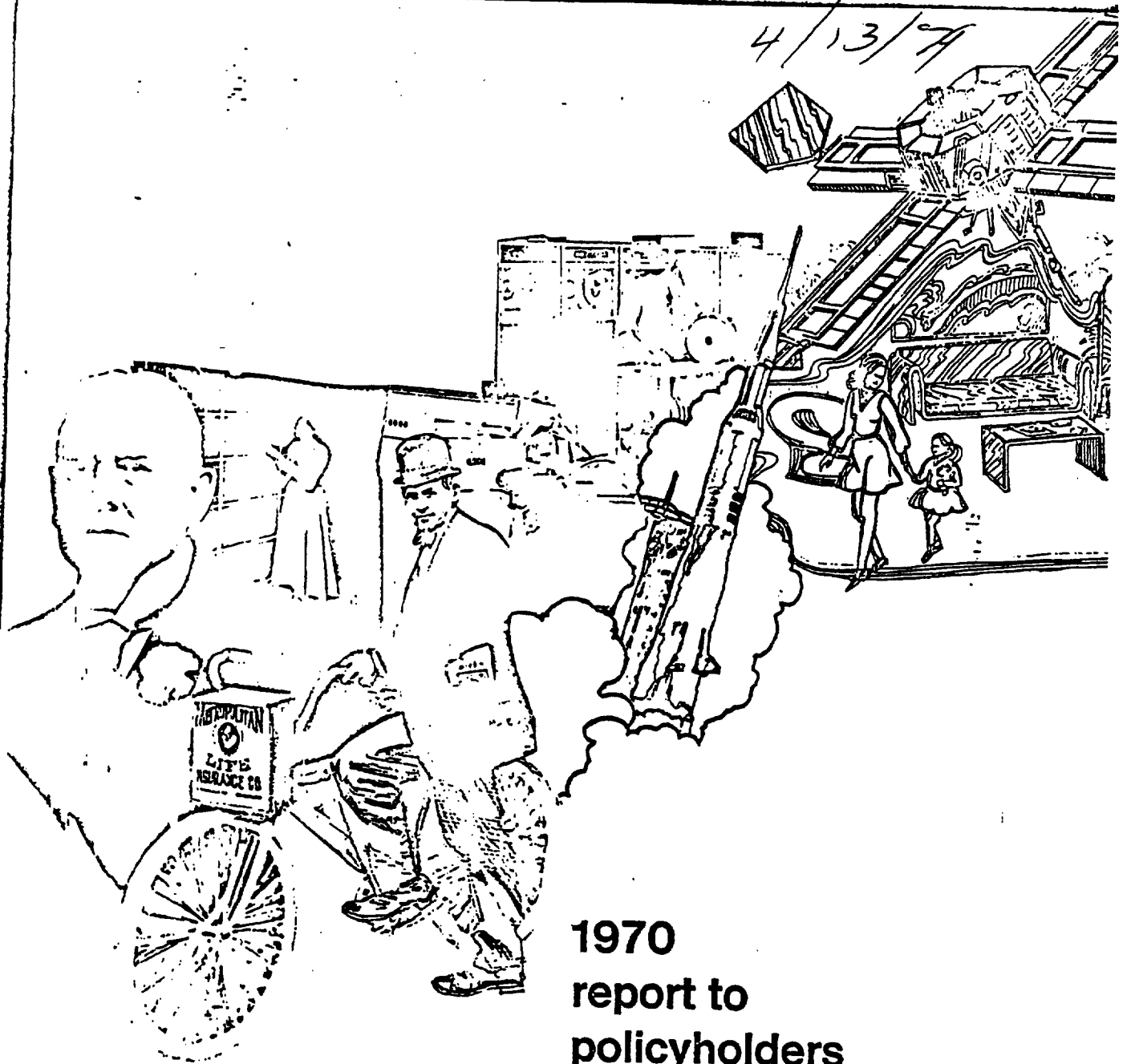
Metropolitan Life

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**1970
report to
policyholders**



Metropolitan Life