1975 Annual Report

Metropolitan
Where the future is now

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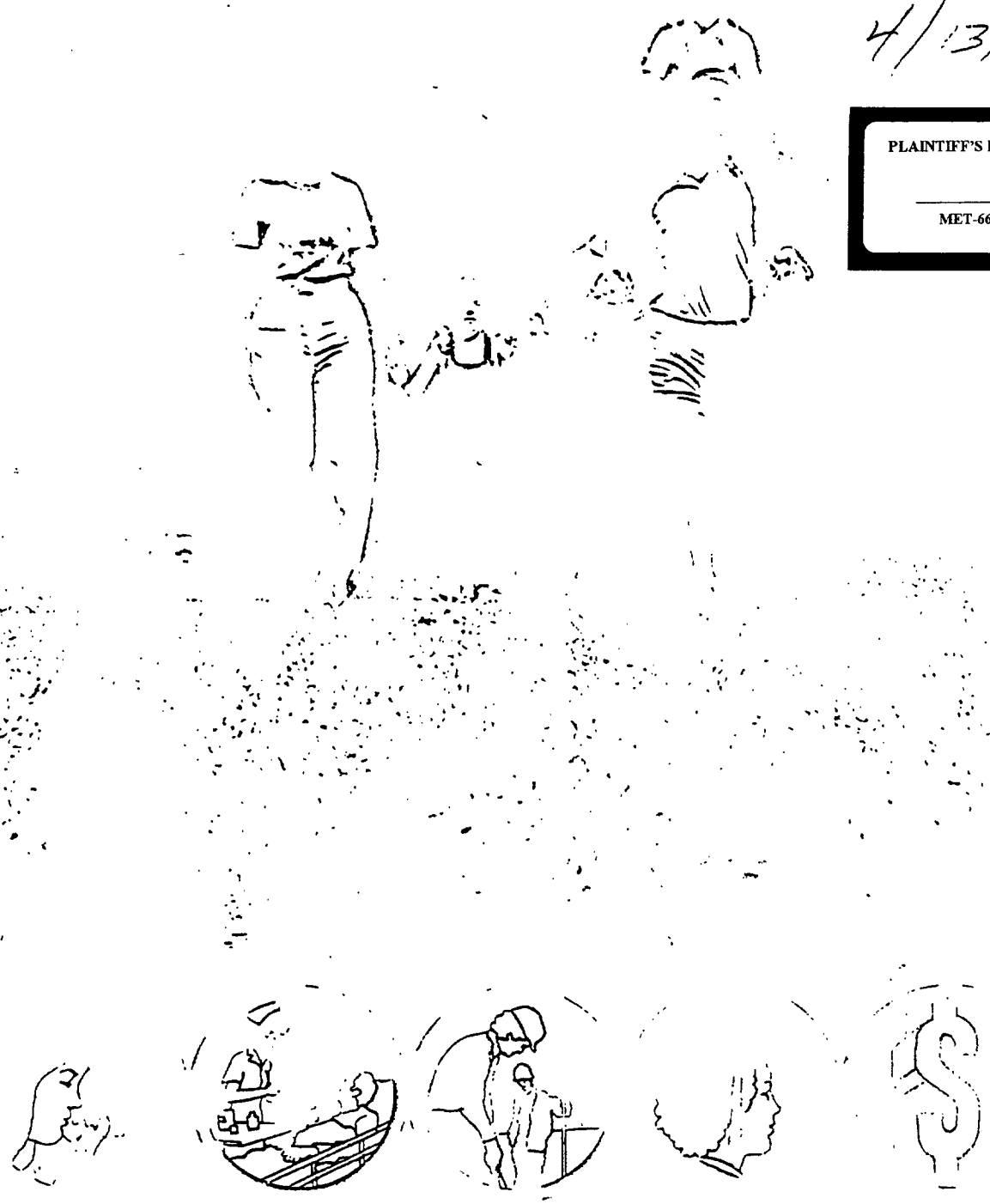



Richard R. Shinn, President and Chief Executive Officer



George P. Jenkins, Chairman of the Board

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Cover:
Metropolitan is proud of the insurance protection it provides to millions of people throughout the United States and Canada.

To Metropolitan Policyholders

Nineteen seventy-five was a challenging year for business and the life insurance industry was no exception. It was a year in which the combined influences of inflation, recession, high unemployment and rapidly rising medical care costs created a setting of uncertainty for the life insurance, health insurance and pension fields.

It was, however, also a year in which Metropolitan capitalized on the potential of new marketing opportunities, further developed and expanded its customer service capabilities, and demonstrated the inherent quality and strength of its portfolio of investments.

It was a good year for Metropolitan overall, particularly in light of the depressed economy and the major changes occurring throughout the Company. It was a year, moreover, in which significant progress was made on many fronts toward achieving corporate objectives.

New Company records were achieved in 1975 in the following areas:

- Payments to policyholders and beneficiaries increased to $4.25 billion. More than two-thirds of these payments, or $3.04 billion, went to living policyholders in the form of annuities, health insurance payments, endowments, cash values and dividends. $1.21 billion went to beneficiaries in death claims.
- Personal life premium issue reached $237 million.
- Personal life insurance in-force passed the $100-billion mark.
- Personal annuity sales totaled $73 million of considerations.
- Group life insurance sales were $9.5 billion.
- Group life insurance in-force at year-end reached $125.9 billion, an industry high.
- Total life insurance in-force was $226.3 billion, an increase of $10.4 billion.
- New group pension sales amounted to $874 million.
- Premiums and annuity considerations, combined with investment income, produced total income of $7.18 billion.
- Earnings on the Company's general investment portfolio rose to 6.41 percent before federal income taxes.
- Assets increased $2.4 billion, or 7.4 percent, to $35.1 billion.

Metropolitan's portfolio of investments is in excellent condition. Only a relatively small number of real estate investments are in the problem category. Nineteen seventy-five was a year of testing for many financial institutions, and the results we obtained confirmed the wisdom of our long-standing policy of making sound investments which can weather difficult economic periods.

Our common stock investments rebounded sharply in 1975 after two years of a down market.

The Metropolitan Property and Liability Insurance Company, our subsidiary, continued to expand its activities in the automobile and homeowner's insurance market. At year-end M.P.L. was marketing its products in eight states. Premium written on this business totaled $7.7 million. Some 2,500 Metropolitan sales representatives were licensed to sell these casualty products at the end of 1975.

Progress Toward Objectives

Our objectives are to grow through increased quality production, through an increasingly professional sales and sales management force, through an improved expense position, and through improved service to our policyholders. We are making good progress in all of these areas.

Our head office program is on target. Seven regional head offices, as shown on the inside of the back cover of this report, are now in operation, bringing Metropolitan service even closer to our policyholders and to our sales force.

During 1975 the latest in our network of regional computer centers was opened in Ottawa, Ont., Canada. It joined similar installations in New York City, Scranton, Pa., Wichita, Kans., and Greenville, S.C. The Ottawa center meets the computer service needs of our Canadian policyholders. This system of computer installations enables us to meet the growing electronic processing requirements of both Metropolitan Life and our casualty insurance subsidiary.

Personal Insurance Marketing

Nowhere in Metropolitan is the pace of change greater than in its personal insurance marketing operation. Here we are moving toward becoming both an Ordinary insurance company and, at the same time, a multiline organization offering a wide range of individual and group life, health, annuity and individual automobile and homeowner's insurance products.

Along with these far-reaching and fundamental changes we have established higher professional standards and a new compensation system for our sales and sales management force, and have instituted higher qualifying standards for new sales representatives.

Controlling Expenses

Controlling expenses and improving productivity are still other priority objectives. We have done well in reducing staffing. The number of employees in our administrative support areas is about 7 percent less than in 1970 despite a substantial increase in business during the same period. Our success in this area is the result of better management and improvements in systems, with the decrease in personnel being accomplished in most instances through normal attrition.

Inflation Still a Menace

As we have on many prior occasions, we want to emphasize again the overriding importance, in our view, of the battle against inflation. We continue to regard inflation as the single greatest menace to our economic and political well-being and so it was heartening to see that the problem moderated somewhat during the year. By year's end, the rate of inflation in the United States was down to 7 percent.

Despite this improvement, there should be no lessening of effort to keep inflation under control. While unemployment still remains uncomfortably high, we believe excessive stimulation of the economy at this time through tax cuts or increased deficit financing would be unwise and in the long run counterproductive.

A Lesson to Be Learned

Nineteen seventy-five was the year that highlighted the financial plight of a number of major U.S. cities and other levels of government. In at least one case —New York City—there was an outright fiscal crisis.

There is little profit now in rehashing the reasons why New York City's crisis developed, but it is fair to say that there is much to learn from the crisis as all levels of government face the future. Perhaps the basic lesson to be learned is that there is a pressing need to reevaluate the proper relationship between government and the individual.

We need to decide what government should and can do for its citizens and what individuals and the private sector should be expected to do for themselves.

We need in government an awareness of the importance of fiscal responsibility and translation of this awareness into actual practice. Financial planning, based on looking ahead, must be part of this.

Above all, we must come to recognize that running a government at any level requires sound management. We very much need to attract highly qualified people to government. Recruiting such people is a continuing challenge, and if the right people are to be attracted to these positions, economic rewards must be competitive with those found in private business. Incentive programs must be introduced wherever possible, and the merit system must be used as the basis for promotions. We hope that the crisis faced by New York City will spur other governmental bodies to put their own affairs in order before the day of reckoning arrives.

Summary

We have reexamined our goals and priorities and have found them sound. We have examined our progress and have found that we are moving toward the achievement of our objectives. In this effort we know that we have the interest and loyal support of the more than 54,000 Metropolitan men and women everywhere. For this, we are deeply grateful.

Nineteen seventy-six will be an important year for Metropolitan. We look forward to it with optimism and confidence and the conviction that it will be another year of steady progress for the benefit of our U.S. and Canadian policyholders.

Richard R. Shinn

Richard R. Shinn, President and Chief Executive Officer

George P. Jenkins

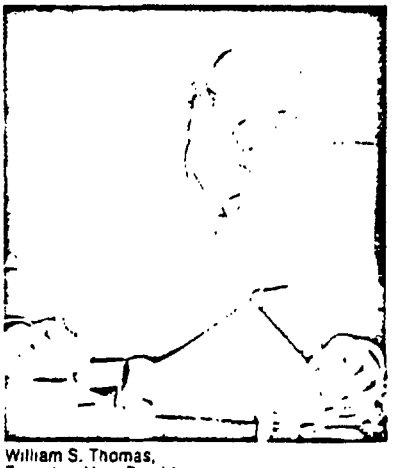
George P. Jenkins, Chairman of the Board



Darrell D. Eichholt,
Executive Vice-President

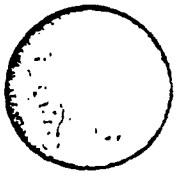


Edwin B. Lancaster,
Executive Vice-President



William S. Thomas,
Executive Vice-President

Personal Insurance



Highlights of 1975

- o Total personal life insurance in-force surpassed $100 billion.
- o New premiums exceeded 1974's production.
- o The sale of annuity business was the greatest in Metropolitan history—up more than 40 percent over the previous year.

The Personal Insurance Role

The overall mission of the Personal Insurance Department is to provide our policyholders with excellent personal insurance protection through a multiline portfolio of products and services delivered by a professional sales force, with the support of a modern and efficient administrative operation.

Metropolitan conducts its personal insurance operations from more than 1,000 offices in the United States and Canada. In Europe, we serve American and Canadian executives and U.S. military personnel and their families.

Marketing

Personal life insurance sales last year were $13.26 billion, the second highest total in the Company's history.

New premiums and considerations on life, health and annuity sales totaled $351.8 million in 1975, a new high and 3 percent greater than the prior year.

Personal life insurance in-force passed the $100-billion level in 1975, reaching $100.4 billion.

Metropolitan's program of providing automobile and homeowner's coverage along with life and health insurance and annuities was extended to eight states.

Personal Life Products

Part of Metropolitan's goal of excellence as a multiline insurer is its commitment to be a quality life insurance company. Therefore, personal life policies remain the core of its product portfolio.

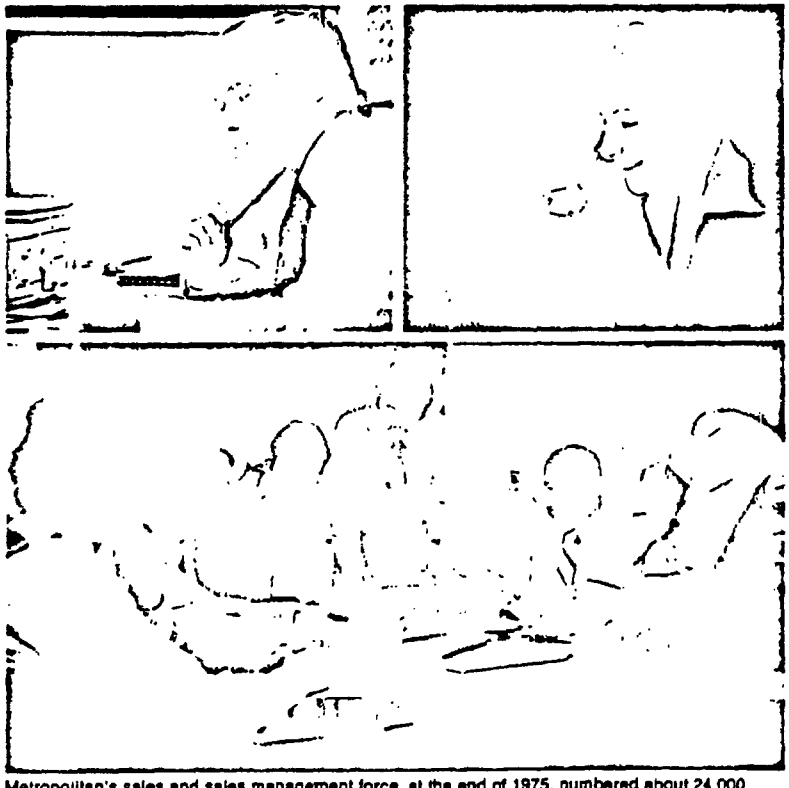
Metropolitan, which more than 100 years ago pioneered in providing "industrial" insurance in amounts of $25 and up, today serves the insurance needs of people in all economic walks of life. As the standard of living and levels of income have risen, the range of Metropolitan coverages and services has broadened. In 1975, Metropolitan sales representatives wrote an increasingly larger percentage of their policies in the higher income market ($15,000 annual income and over).

Today's insuring public can expect complete and professional service from Metropolitan's sales representatives. With Company-designed sales and service procedures such as You and Your Family, You and Your Future and You and Your Business, Metropolitan's representatives can provide up-to-date insurance programming that correctly analyzes and helps meet a person's needs for protection.

Record-Breaking Annuity Sales

The most dramatic of last year's activities in the personal insurance market was the more than 40 percent increase in annuity sales. In addition to offering their traditional annuity products, the Company's sales force reached out to serve those members of the public eligible to purchase Individual Retirement Annuities under the provisions of the Employee Retirement Income Security Act (ERISA). These contracts, which offer current tax advantages, are available to employed persons who are not covered by a qualified pension or profit-sharing plan.

The Company's sales representatives completed more than 67,000 sales in the personal annuity market in 1975.



Metropolitan's sales and sales management force, at the end of 1975, numbered about 24,000 persons, including 1,500 minority-group members and 900 women, who work out of more than 1,000 offices throughout the United States and Canada. The Company's salespeople also work in Europe, where they serve American and Canadian executives, U.S. military personnel and their families. For thousands of Metropolitan people, sales and sales management positions provide fulfilling careers.

Quality Business

The production and maintenance of quality business is one of the most important ways in which Metropolitan is striving to better serve the public. Quality business is best measured by policy persistency; that is, the keeping of plans in-force so that they can carry out the purpose for which they were purchased by our customers.

One of the most important accomplishments of the personal insurance marketing operation in 1975 was the accelerating success of its persistency program. This was achieved by underscoring the importance of quality business in both sales and sales management compensation and recognition (sales leadership) programs, through greater utilization of the increasingly popular Check-O-Matic premium payment method and through the expansion of Field educational programs directed toward upgrading the professional training of sales representatives.

Professionalism

Metropolitan is proud of the manner in which its sales and sales management force of about 24,000 men and women has responded to the challenge of better service to the public through higher levels of professionalism.

Indicative of this trend is the increasing number of Metropolitan people qualifying for the Chartered Life Underwriter designation, the life insurance industry's highest measure of personal professional capability. In addition, Metropolitan leads the industry in membership in the National Association of Life Underwriters, and has 100 percent membership of its Regional and District Sales Managers in the General Agents and Managers Association. The objective of this organization is to improve the quality of agency management and of life insurance selling through its code of ethical practice and its educational and research programs.

Metropolitan also supports the principles underlying the sales leadership recognition program of the Million Dollar Round Table, the industry's most prestigious professional organization. In fact, Metropolitan has employed those principles in forging its own recognition program.

Administration, Sales and Service

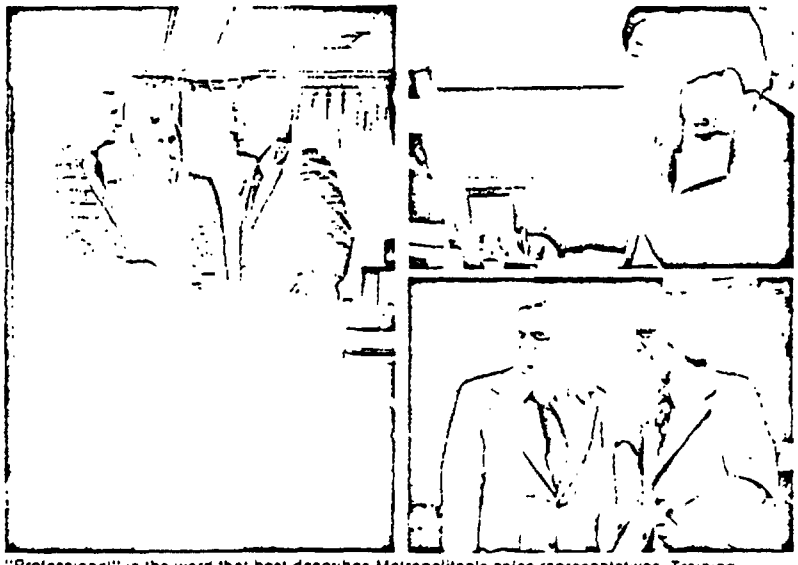
Our decision to establish 10 head offices strategically located throughout North America was made in order to provide ongoing and more personalized quality service to our policyholders and our sales force.

In addition to our long-established head offices in San Francisco, Calif., and Ottawa, Canada, we established new head offices in Tampa, Fla., Tulsa, Okla., and Warwick, R.I., prior to last year.

During 1975, head office operations began in temporary quarters in Dayton, Ohio, and Johnstown, Pa. New head offices are under construction in both locations.

Our Great Lakes Head Office in Aurora, Ill., is expected to open in 1976.

Two head offices—Atlantic, serving New Jersey, Maryland and Delaware, and Eastern, serving the state of New York—will be in our New York City facilities.



"Professional" is the word that best describes Metropolitan's sales representatives. Training begins on their first day with the Company, in one-to-one sessions and in group gatherings. It continues throughout their career so that they can meet the changing insurance needs of their clients. Last year 4,000 sales representatives and sales managers were enrolled in formal study programs, leading to higher levels of professionalism.

Automobile and Homeowner's Insurance



Last year, Metropolitan continued to make steady progress toward its objective of offering automobile and homeowner's insurance throughout the United States.

Our subsidiary, the Metropolitan Property and Liability Insurance Company (M.P.L.), introduced its automobile insurance in Connecticut and Rhode Island in mid-1974. In 1975, the line was expanded to include homeowner's insurance.

In keeping with its principle of quality growth, Metropolitan, from the beginning, has pursued a program of disciplined expansion with these new insurance lines. It has opened additional areas for sales only when administrative and claim services were fully staffed with trained personnel.

The initial tasks—to list just a few—of designing the organiza-

tion, product development, pricing, simplifying complex contracts, hiring, training and licensing had been accomplished by the end of 1975 for eight states. These include all of New England (with the temporary exception of automobile insurance in Massachusetts) plus Delaware and California. Regional service offices have been established in Providence, R.I., and Orange, Calif.

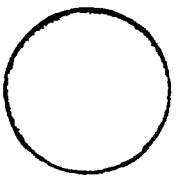
Early reports from customers and sales representatives indicate that they like what M.P.L. has to offer. The $7.7 million in premium written last year in this new line represents an enthusiastic response from the public and Metropolitan sales representatives alike.

Late in 1976, while keeping pace with the training and development of the sales, service and administrative staffs, Metropolitan plans to begin automobile and homeowner's insurance operations in several more states. In the West, these states are expected to include Arizona, Colorado, Washington, Oregon, Nevada and Utah. In the Midwest, Ohio and Indiana, while the next state in the East will be New York. Selling in New York will begin in the Albany area.



In 1975, the Company's subsidiary, the Metropolitan Property and Liability Insurance Company, which offers the public automobile and homeowner's insurance, expanded its operations to several more states.

Group Insurance



Highlights of 1975

- Group life insurance in-force reached $125.9 billion.
- Group life insurance issued: $9.5 billion.
- Group pension sales: $874 million, an all-time high.
- Metropolitan received a major portion of all dental insurance written in 1975.
- About 18,400,000 group claims were processed.

Nineteen seventy-five was an excellent year for Metropolitan's Group Insurance and Pensions Department, with especially notable results in pension and dental insurance sales.

Group sales and service objectives were met or surpassed in nearly all areas, and Metropolitan maintained its leadership as the world's largest group life insurer.

Metropolitan's group life insurance in-force stood at an industry record of $125.9 billion at the end of 1975, up 6.1 percent over 1974.

Despite the unfavorable economic conditions, which adversely affected employment and activity in many industries, our group life insurance issue of $9.5 billion exceeded slightly the sales of the previous year when measured on a comparable basis. The 1974 results included $1.6 billion as Metropolitan's share of the revision of the industrywide Servicemen's Group Life Insurance Program, which is participated in by many life insurance companies.

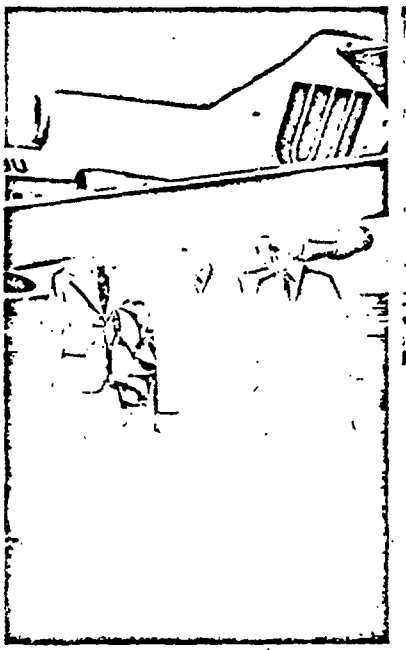
Pension Sales Surge

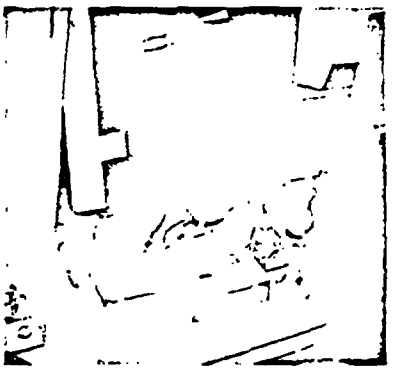
The 1974 federal pension legislation included among its requirements the vesting of benefits, adequate funding and disclosure of plan information to participants.

Metropolitan was in an excellent position to help customers and prospective customers meet their mandates of the law, and the value of this service was confirmed by the sales results.

Group pension sales during the year reached an all-time high of $874 million.

One particularly well-received special service Metropolitan provided to clients in connection with both pension and insurance plans last year was its "Guide to ERISA." This manual, prepared by a team of





Above—The extensive use of modern equipment, coupled with a dispersed claims-paying system, continued to improve service to group policyholders. New operations were begun in Ohio, Pennsylvania, South Caroline and Rhode Island.

Left—Metropolitan's Group Field Force is comprised of knowledgeable teams of specialists ready to advise large and small customers in the complexities of modern benefit programs.

Metropolitan specialists, provides employers with detailed information on complying with the complicated provisions of the Employee Retirement Income Security Act.

Dental Insurance Rise

During the past two years, the Company has become one of the leading carriers of group dental coverage. Metropolitan successfully obtained a major portion of the dental insurance written in 1975, and is now a principal provider of these new benefits in the auto, steel and communications industries.

There are many variations in dental plan design. Metropolitan was able to meet the different needs of its customers, and, at the same time, maintain, to the maximum degree possible, simplicity of administration. The Company also offered a network of dental claims-paying offices, a sophisticated low-cost claims processing system and local professional expertise.

Improved Service

Metropolitan's program to bring service closer to its policyholders was expanded further in the group insurance area last year. Under the dispersed claims-paying system, new operations were begun in Dayton, Ohio, Pittsburgh, Pa., Greenville, S.C., and Warwick, R.I. Of Metropolitan's 63 offices throughout the United States and Canada devoted to group insurance and pensions, 18 are now directly concerned with the payment of insurance claims.

Claims-paying systems introduced in 1974 involving cathode-ray tube input devices and large computers are proving their efficacy in improved speed of service, increased accuracy, and the provision of statistical by-products. Improvement in administration and systems development continues to be a primary Metropolitan goal.

Metropolitan's Group Role

Metropolitan began its group operation nearly 60 years ago, and the leading position the Company occupies today is a reflection of the quality service rendered over the years to small and large employers, and old and new customers. Metropolitan's role in group insurance is to provide expertise and efficient service at a cost which compares favorably with the alternatives available.

About 5,000 of the Company's group plans are in force on companies with 50 or more employees. Many large group policyholders have been customers of Metropolitan for more than 50 years.

An additional 45,000 Metropolitan group plans cover up to 49 employees each. They are sold and administered by the Personal Insurance Department.

The Group Future

With the department's new claims-paying operations providing faster and better service to customers, and with its new decentralized system of administration providing the improvements in administrative and sales efficiency that was its aim, it is expected that progress, consistent with the highest standards of quality, will continue to be made by the Group Insurance and Pensions Department. Metropolitan entered 1976 confident of its ability to continue to serve the insurance and pension needs of its thousands of existing group customers and ready to accommodate new ones.

Investments

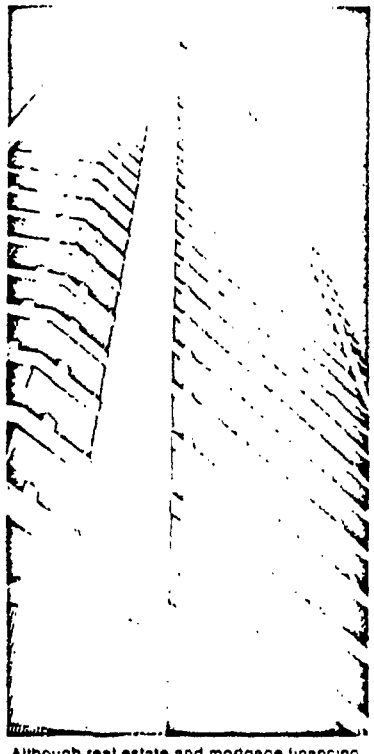


Highlights

New long-term investments made in 1975 amounted to $2.75 billion. Included were $1.46 billion of bonds and preferred stocks and $1.07 billion in mortgages and real estate. The rate of return on new investments was the highest in Metropolitan's history, and was considerably above 1974 results. The rate of return on invested assets (before federal income taxes) was 6.41 percent. Total assets reached a record high of $35.1 billion—an increase of $2.4 billion over the previous year.

Commentary on 1975 Results

The purchase of long-term bonds (corporate debt securities) and investments in real estate and mortgages continue to be Metropolitan's principal outlets for the investment of its assets. The amount of new long-term investments in both of these areas was slightly lower than in 1974. The severe business recession in 1975 led to a slackening in demand for capital in much of the private sector of the economy. Many industrial corporations were in a posture of reduced capital spending and consolidation of their operations and, as a result, were not active in seeking long-term institutional funding. Offsetting this development was a continuing need for project-type financing. Metropolitan maintained a high degree of activity in making long-



Although real estate and mortgage financing have traditionally been among the Company's major investment outlets, proposed commercial projects are always given careful scrutiny before a commitment is made. A commercial venture must demonstrate that it will serve an important role in the economy of its community.

term loans and loan commitments for carefully chosen projects. Other long-term loans were made to corporations for the purpose of refunding preexisting borrowings.

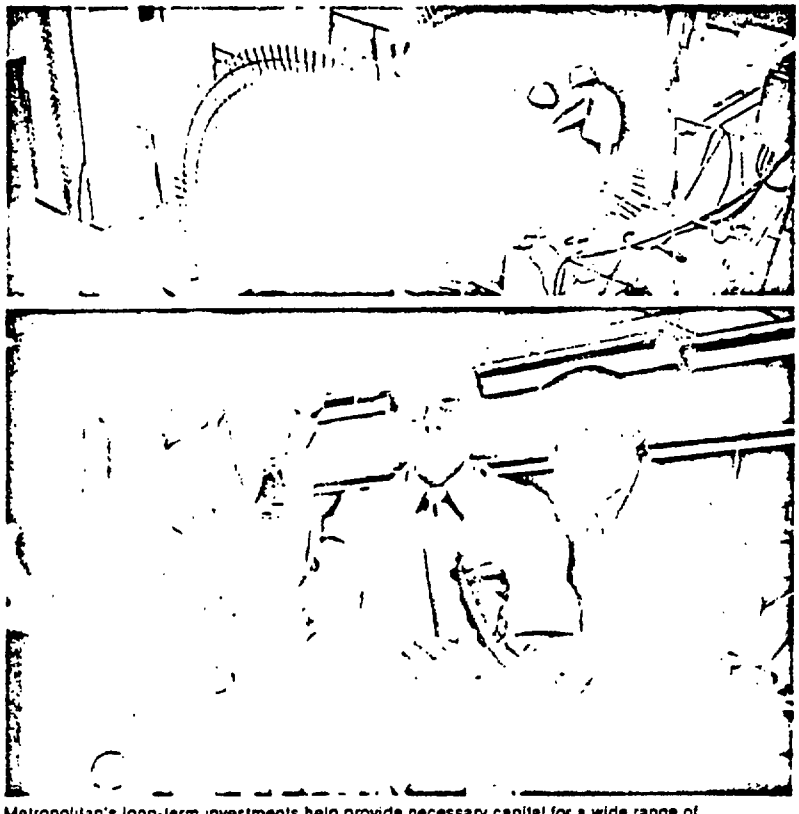
Activity in the real estate investment markets was at substantially reduced levels throughout 1975. For the past several years we have called attention to conditions of overbuilding in many areas of the country; these conditions persisted in 1975 and will likely persist for some time in the future.

Although Metropolitan's rate of return on new long-term investments reached a record level in 1975, the year-to-year gain in portfolio yield was held to 9 basis points, largely because the inflow of funds accelerated in the latter part of 1975; thus, a substantial amount of assets was able to earn income for only a brief time during the year. Relatively more assets were invested on a short-term basis than had been the case in most recent years, and short-term interest rates, typically volatile, moved sharply lower in 1975 and continue to be lower in early 1976.

Investment Environment

In 1975 the U.S. and Canadian economies represented a period of testing for investment portfolios. While the forces of inflation abated, the year was characterized by one of the most severe recessions experienced since the 1930s. It was a year in which certain large, old-line corporations, as well as less-seasoned enterprises, filed for bankruptcy, in the latter instance particularly in the real estate field. Since mid-1975 the economy has evidenced recovery, but there remain widespread difficulties in many of its sectors and within many financial institutions.

Long-term interest rates were relatively high for most of 1975, reflecting continuing inflation—but at somewhat slower rates. The financial markets were also influenced by heavy amounts of government funding, the business difficulties brought about by the recession and well-publicized problems of municipal financing.



Metropolitan's long-term investments help provide necessary capital for a wide range of corporations in the United States and Canada. Above—A massive turbine spindle at one of Ontario Hydro's power generating units is inspected by engineers. Below—The research director of a major U.S. industrial corporation discusses a new product with members of Metropolitan's corporate investment team.

Portfolio Components

The following table summarizes the composition of our investment portfolio at the end of 1975:

	Amount (Billions)	% Total Assets
Corporate Debt Securities	$17.2	48.9
Real Estate and Mortgage Investments*	12.7	36.1
Common Stocks	1.0	2.8

*Real estate and mortgage investments include $774 million of farm and ranch mortgages.

Metropolitan's separate account business, representing assets segregated for pension fund customers and consisting primarily of common stock investments, is not reflected in the above table.

Common Stocks

The combined performance of Metropolitan's separate and general account common stocks was up very substantially after two down years. In early 1975 the stock market showed a strong recovery from the severely depressed levels that were reached in 1974. Our common stock investments today constitute a diversified portfolio that is well positioned to participate in market improvements when they occur. We are still emphasizing quality issues having superior management and earnings prospects, and have established the organization and controls required to implement our investment program.

Investments in Canada

Metropolitan continued to be active in both the corporate debt security market and the real estate mortgage market in Canada in the past year. New investments made in 1975 amounted to $147 million, of which $56 million represented corporate bond purchases and $91 million, mortgage loans.

A Quality Approach to Investments

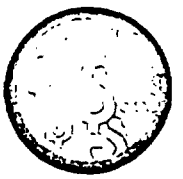
The year 1975 confirmed our long-standing policy of holding quality investments, and we are pleased

to report that our investment portfolio stands in sound condition. Metropolitan's debt securities portfolio, the largest in the insurance industry, contains only a very small portion of securities that are judged to be of less than full quality by the valuation standards that are applied, on a consistent basis, to all insurance company investments. The major segment of the Company's corporate debt securities holdings—$15 billion of loans to industrial and utility corporations—was free of any issues in default on principal or interest other than for two small business loans totaling only $25,000 of principal amount. This represents one of the very best records among all the major U.S. life insurance companies. Our mortgage and real estate portfolio does, however, have a relatively small number of loans that are not generating contractual interest and principal payments.

We remain dedicated to a sound investment approach and intend to utilize our long experience toward that end. Metropolitan's investment personnel apply well-tested guidelines in their ongoing analysis. It was particularly reassuring to see that, in the great majority of our portfolio companies, a competent management was able to provide the stewardship demanded during the difficult business conditions of the recent past. Quality is not necessarily a function of size; strong management, the most critical factor in the success of any business enterprise, can be found in smaller corporations as well as in larger ones.

Investment results and the condition of the investment portfolio reflect a fundamental investment policy designed to produce acceptable and competitive returns in a constantly changing economic climate. Metropolitan has the staying power and the flexibility to remain active in most principal investment markets, as well as the experienced investment personnel to carry out this policy for the benefit of all its U.S. and Canadian policyholders.

Capital Formation



The year 1975 was marked by the slow but sure emergence of the United States from the deepest recession in three decades. Significant economic indicators showed definite and, in some instances, dramatic improvement as the year drew to a close.

But while there is definite cause for optimism after nearly two years of economic weakness, the United States and Canada still face relatively high unemployment rates and inflation. Another problem is the persistent lessening of our free enterprise system's ability to accumulate funds to meet the ever-increasing demand for investment capital—the mainspring of a creative, free and growing economy.

Why has capital formation become a problem?

The chief villain was, and is, inflation. In 1974, price increases reached double-digit proportions, and in 1975 they were in excess of 9 percent. Inflation causes a rapid rise in the price of new plant, equipment and housing.

Future Capital Needs

The problem is compounded by the fact that huge capital outlays will be needed by business and industry to replace outmoded facilities, to develop new, less readily accessible raw material sources, to ease the energy problem, to eliminate pollution, to improve worker safety, and, of overwhelming significance, to provide for the addition of one and one-half million new workers to the labor force each year. At today's prices, it is estimated that $90,000 of capital is required for the creation of each new job while maintaining the existing work force.

Substantial funds must also be made available to finance the large outlays needed to increase the quantity and quality of housing, to meet the pressures of rising land costs, and to make meaningful efforts toward solving the entire complex of urban problems.

And, finally, the combination of recession and inflation prompted, and continues to prompt, enormous spending and debt financing at all levels of government. The funds involved are derived or expected from taxpayers—individuals and businesses—in commensurately huge amounts.

Channeling Savings

In short, our two nations face immense demands for investment capital, and the funds to finance these needs must be generated through the savings efforts of individuals and of businesses in the industrial, agricultural and financial communities. Metropolitan, by accumulating the savings of individuals and channeling them into productive investments, plays a vital role in this important economic process.

But the task in the future will not be easy. We are painfully aware of the difficulties encountered in trying to save in an inflationary environment; we see the continuation of large dollar gaps between business investment and internal cash flow; and we are confronted with a progressive personal income tax structure that shifts potential savings dollars from the private sector to the government sector during periods of inflation.

Capital formation will, in other words, be seriously hampered as we approach an era in which, according to all available indications, the investment demand will be very high relative to the volume of savings. Over the next five years, the gap between the demand for capital and its availability may be in the range of $150-$200 billion.

Improving the Climate

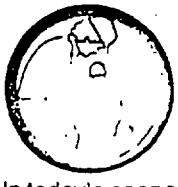
We talk of *need* for funds in forecasting the needs of our society. We should also visualize the future without these funds and without the jobs, products and services they generate. We believe it is clear that increasing efforts must be directed toward improving the climate for capital formation.

Certainly, one positive approach to the problem must be an all-out effort against inflation. This requires sound monetary and fiscal policies. It also calls for conscious, continuous and new efforts to increase productivity (with quality) by business, industry and agriculture, as well as by federal, state and local governments.

Our tremendous need for capital can also be dealt with through adjustments in the tax structure geared both toward stimulating individual and business efforts to save and toward preserving existing pools of savings.

The resulting economic growth should make the tax base larger than before while, at the same time, facilitating the goals of sound growth in output and jobs within a less inflationary framework.

Life Insurance— A Bargain Today



In today's economy, we tend to take it for granted that everything costs more: the basics of food, shelter and clothing as well as the "extras" for comfortable living. But one necessity—life insurance—actually costs less today than it did some years ago!

To see why the cost of life insurance has gone down, let's look at the recent trends in the factors that determine that cost: *mortality*, or the rate at which death claims arise; *expense*, or how much it costs to administer a life insurance policy, and *investment income* or the return that the insurer can earn by investment of money paid as premiums.

- o Mortality rates have been on a downward trend for many years.
- o Expenses have been rising in the life insurance industry, as they have for business generally. However, mainly because of the life insurance industry's pioneering and extensive use of computers and new systems, improved productivity both in administration and marketing has helped to lessen the impact of increased expense on life insurance costs.
- o Interest levels have generally been increasing over the past 20 years, and have reached historic highs in the last few years. Higher investment returns favorably influence the cost of insurance, and have a particularly significant effect on policies which have accumulated appreciable cash values.

To summarize, the favorable effects of improved mortality and increased interest have more than offset increased expenses over the past 20 years—with the result that life insurance now costs a good deal less than in the past.

An Illustration—Metropolitan's Whole Life Policy

In figuring the cost of life insurance, it's not enough to look at the premium rate and the amount of guaranteed cash value available. We must also consider the amount of dividends returned by a mutual life insurance company such as Metropolitan. And, for a fair comparison, we should take account of the time-value of money, since payments are made to and by the Company at different points of time. A method of doing this has recently been devised. It is called the "Interest-Adjusted Method," and it produces a cost index for a policy which is surrendered at the end of a specified period of years—allowing for interest at the rate of 4 percent per year on all monies paid over those years. The resulting index number can be used to compare similar policies, a lower number indicating the policy with the lower cost.

Using this Interest-Adjusted Method, we have calculated the following cost indexes for a Metropolitan Whole Life policy issued 20 years ago—first using the dividend scale in effect at the time of issue (which reflected then-current costs) and then using the dividends actually paid.

$10,000 Whole Life policy issued in 1955 to a man aged 35 and surrendered at the end of 20 years

Using dividends illustrated in 1955:	Cost index per $1,000 = 6.33
Using dividends paid through 1975:	Cost index per $1,000 = 7.21

These cost index figures indicate that, for this particular Whole Life policy issued in 1955 and surrendered in 1975, the actual cost turned out to be significantly lower than could have been anticipated when the policy was first taken out. A decrease in the cost of life insurance is surprising, especially when contrasted with the rise in the Consumer Price Index during the same period.

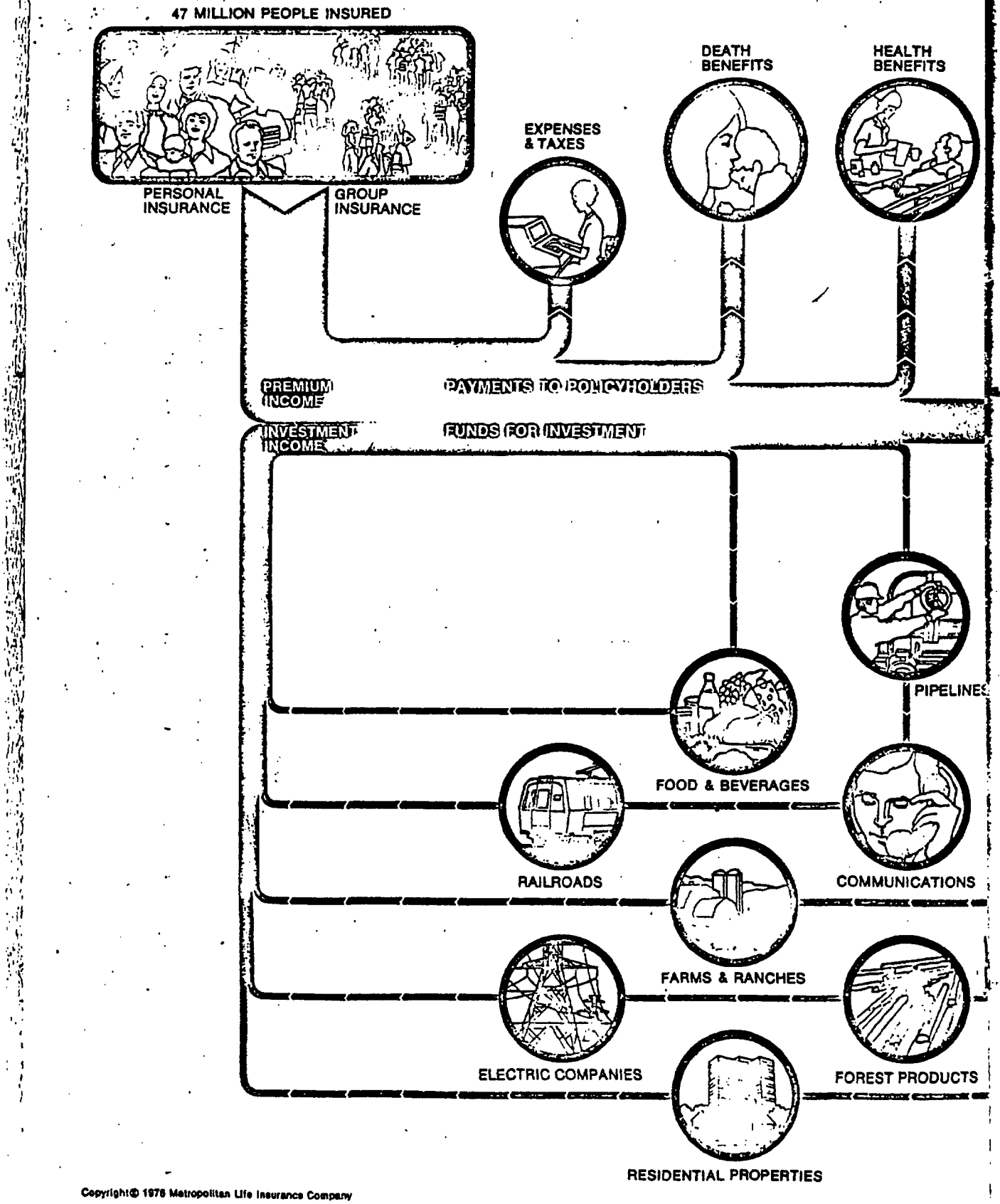
Cost, however, is only one of several factors that should influence the purchase of a life insurance policy. The reputation of the issuing company and its service, quality of investments and stability are other factors to consider.

Metropolitan is strong in all these areas, and has been satisfying millions of customers with its products and services for over a century. Today the Company continues to provide attractive coverages, priced fairly and reasonably and designed to meet a broad range of needs.

What About the Future?

It is impossible to predict what the future cost of a policy issued by a mutual life insurance company will be, since future costs depend upon future dividends which, in turn, depend upon future mortality, expense and investment experience.

Of course, it is not likely that current experience would continue unchanged in the future—which is why dividends cannot be guaranteed or estimated in advance. We can, however, guarantee all Metropolitan policyholders that in the future, as in the past, our objective will be to provide their life insurance coverage at its actual cost. All amounts that are not needed to pay for the cost of the insurance furnished will be returned to our policyholders in the form of dividends. This is one of the chief characteristics of a mutual life insurance company.



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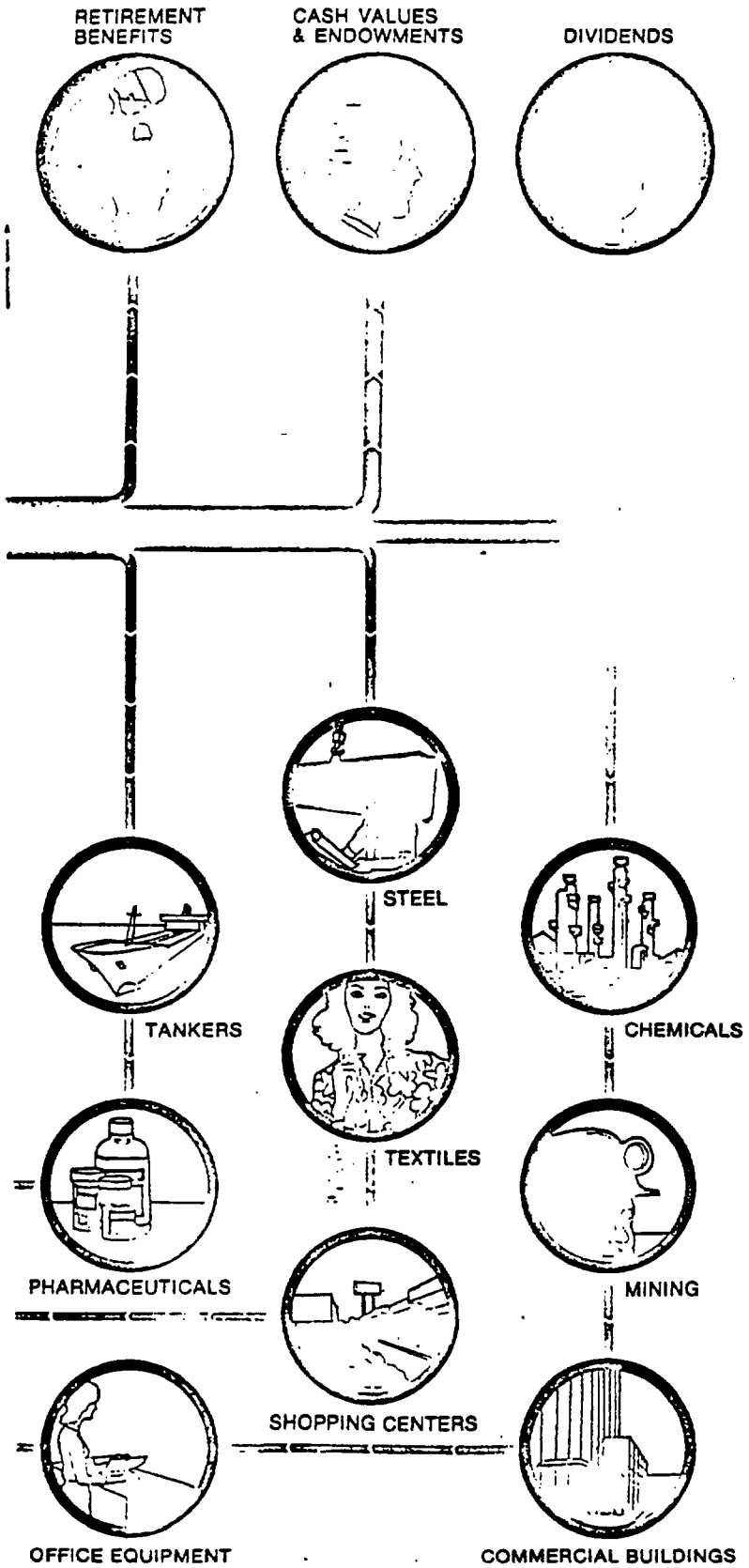


The Policyholder's Dollar at Work

Metropolitan Life is a mutual life insurance company. It has no stockholders and is operated for the benefit of its policyholders.

The illustration on these pages is an artist's concept of the process by which Metropolitan provides financial security to individuals and families through its insurance and retirement plans.

Metropolitan receives its income from two principal sources. These are premiums (including annuity considerations) and investments.

From this income flow, Metropolitan makes current benefit payments and pays operating expenses and taxes. In addition, policy reserves are established to guarantee that funds will be available to meet future claims and benefit payments.

These reserve funds are invested in such areas as corporate and government bonds, real estate, city and farm mortgages, and common and preferred stock.

In large measure, these investments constitute the assets of Metropolitan Life, which at the end of 1975 totaled more than $35 billion. Earnings from these investments help to offset expenses and hold down the cost of insurance to our policyholders.

Any excess of earnings from these investments and premiums over benefit payments, expenses, and amounts needed to establish and maintain reserves are returned to policyholders in the form of dividends.

The financial protection provided by a life insurance company combined with its investment activity is often regarded as one of the most dynamic economic mechanisms ever devised for the creative use of money in terms of people and the quality of their lives.

Not only are great numbers of people protected under Metropolitan insurance programs, but the placement of money for investments to help provide this protection enhances business, creates jobs and is a major strength of our two nations' economies.

Metropolitan as an Employer



Metropolitan's home and head offices, its various other administrative offices, and its more than 1,000 sales and service offices provide employment for over 54,000 persons throughout the United States and Canada.

Career Opportunities

Metropolitan offers many career opportunities in a wide range of areas including sales, underwriting, sales promotion, finance, actuarial science, investments, law, medicine, accounting and auditing, management and administration, electronics, personnel, customer and government relations and communications.

Among these job opportunities, some of the most challenging are in personal sales and sales management. About 24,000 men and women are employed in this area. For thousands of Metropolitan people, it is a financially rewarding and personally fulfilling career. The sales representatives are the first line of communication with Metropolitan policyholders. They provide a basic and much needed service to the public—financial protection in time of sickness, retirement or death. And, gradually being added to their portfolio is automobile and homeowner's insurance.

Quality and professionalism are key words at Metropolitan. Management looks for it—and expects it—at all times. Every effort is made to encourage Metropolitan people to attain these attributes in their work.

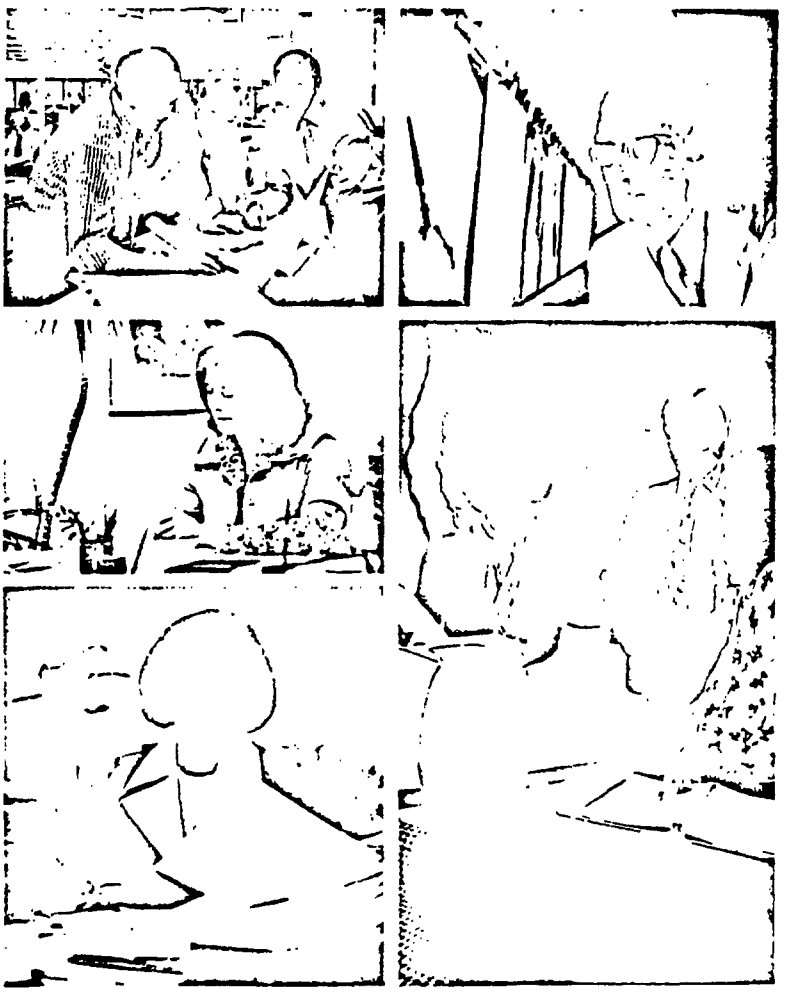
Consequently, training and self-development are a way of life at Metropolitan. The Company provides many training programs on Company time, offers others on a shared-time basis, and encourages employees, through financial assistance such as tuition refunds, to embark on self-development programs on their own time.

The response of Metropolitan people? There were 11,429 individual registrations in various fields of study in 1975. Company training courses and seminars accounted for 4,000; the Life Office Management Association (LOMA) program, for about 3,000; and the Life Underwriter Training Council and the Chartered Life Underwriter study programs, for another 4,000. The last group was made up mostly of sales representatives and sales managers seeking to improve their marketing professionalism.

Equal Employment Opportunity

Metropolitan is totally committed to providing full employment opportunity at all its facilities for qualified women and minority-group members. The Company pursues this objective through multiple programs. Its commitment is carried out in its recruiting, hiring, training, retention, transfer and promotion practices.

Women in sales positions increased to 900 in 1975. Minority-group members represented about 14 percent of the Company's nationwide work force, including 1,500 in sales positions.



The men and women of Metropolitan. More than 54,000 strong, they occupy positions of responsibility in technical, managerial and professional areas, including marketing, law, medicine, finance, accounting, electronics, government relations and communications, among others. The Company is totally committed to providing equal employment opportunities for qualified women and minority-group members at all its facilities. It also helps employees achieve their potential through a variety of Company training programs and through financial assistance in employee self-development activities.

Metropolitan as a Corporate Citizen

Believing that business, as well as government, should be responsive to the needs of the public, Metropolitan disbursed about $1.6 million in awards and contributions in the United States and Canada last year.

Included was $42,000 in grants to seven colleges and universities under a program begun in 1975 which makes awards to institutions with programs aimed at improving understanding and communication between the business and academic worlds.

Other grants last year, including those for the Company's Matching Gift and Merit Scholarship Programs, brought the total of Metropolitan's contributions in the interest of educational support to about $488,000.

Among Metropolitan's special programs in this category is a nursing scholarship established two years ago.

Metropolitan's contributions to United Funds last year were about $673,000.

The Company also contributed to organizations and institutions involved in health, health education, social welfare, community improvement, cultural activities, economic betterment and other areas.

Health and Safety

Last year, on request, Metropolitan distributed almost eight-million copies of its health and safety publications to individuals and groups in the United States, and some five-million persons saw our health education films.

A new film introduced last year called "One Day" offers an overview of Metropolitan's health and safety educational program. A filmstrip, "Doing Well While Doing Good," shows how Metropolitan sales representatives and health education specialists use health and safety materials in community service activities.

Our Medical Emergency Care Information Program continued to be well received last year. The program alerts people across the nation to emergency medical facilities and related services in their own communities and provides materials on how to help prevent emergencies and on how to deal with them.

Promoting Health Through Advertising

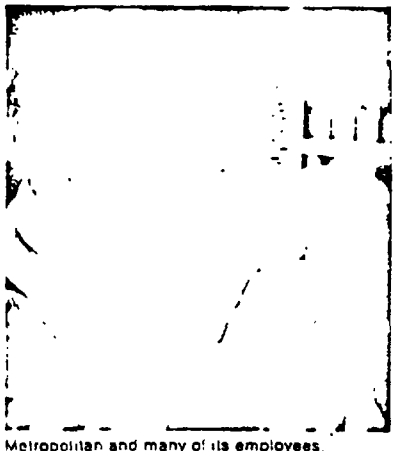
Metropolitan's advertising, which features the corporate theme "Metropolitan . . . Where the future is now," included, in 1975, an award-winning ad urging people to obtain instruction in cardiopulmonary resuscitation (CPR), a first-aid lifesaving procedure. Through the ad, more than 36-million cards showing the CPR technique were distributed by the Company.

Minority Purchasing Program

Metropolitan's purchases from minority-group vendors for goods and services continued to increase and total purchases were more than $500,000 in 1975.

Community Interests

Involvement in community needs has been a way of life with Metropolitan and its people since the Company began. Last year, almost 200 employees across the United States and Canada were nominated for a Metropolitan Community Service Award, established in honor of retired Board Chairman Gilbert W. Fitzhugh. Awards presented recognized such diverse activities as the setting up of housing, transportation and social programs for senior citizens; the establishment and maintenance of a 37-acre forest camp for use by church, youth and civic organizations, and the involvement in projects aimed at increasing economic opportunities for disadvantaged people.



Metropolitan and many of its employees, active and retired, are involved in helping the community. Above—A retiree devotes her time to help care for babies at the New York Foundling Hospital.



A portion of the Company's 1975 contributions went to the United Negro College Fund, which allocates funds to black educational institutions throughout the country.



A sales representative takes time out from a busy schedule to distribute emergency medical care information to a local volunteer fire department.

Metropolitan Life Insurance Company
Balance Sheet

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

Assets	December 31 1975	1974
	(in Thousands)	
Bonds:		
United States, Canadian, and other government	$ 1,339,509	$ 642,199
Provincial, municipal, and public agencies	298,081	222,396
Industrial and commercial	11,739,703	10,744,348
Public utility	3,333,933	3,454,783
Railroad	492,586	403,214
	17,203,812	15,466,940
Stocks:		
Preferred or guaranteed	549,081	549,885
Common	974,102	834,392
	1,523,183	1,384,277
Mortgage Loans on Real Estate:		
Residential, commercial, and industrial	11,228,517	11,180,955
Farm and ranch	774,358	741,937
	12,002,875	11,922,892
Real Estate:		
Housing projects and other real estate acquired for investment	422,470	421,272
Properties for Company use	128,235	106,972
Other properties	109,364	31,079
	660,069	559,323
Policy Loans	1,568,399	1,526,905
Cash and Bank Deposits	90,296	118,181
Premiums Due and Deferred	693,752	635,494
Investment Income Due and Accrued	456,815	412,125
Other Assets	154,359	107,973
Separate Account Business	784,272	593,649
Total Assets	$35,137,832	$32,727,759

Assets included above amounting to $1,586,652,000 and $1,519,427,000 at December 31, 1975 and 1974, respectively, are deposited with various public officials and trustees under the requirements of law or regulatory authorities.

See accompanying Notes to Financial Statements.

Liabilities and Surplus Funds	December 31 1975	1974
	(In Thousands)	
Statutory Policy Reserves:		
Life insurance and annuity reserves	$27,878,449	$26,503,179
Accident and health and aviation reinsurance reserves	353,502	342,268
	28,231,951	26,845,447
Policy Proceeds and Dividends Left With Company	1,196,124	1,164,803
Set Aside for Dividends to Policyholders	669,657	664,067
Policy Claims Currently Outstanding	434,997	394,158
Other Policy Liabilities	2,135,219	1,464,864
Taxes Accrued	87,752	87,208
Mandatory Securities Valuation Reserve	168,055	116,340
Mortgage Loan and Real Estate Valuation Reserve	69,612	79,217
All Other Liabilities	157,179	130,617
Separate Account Business	783,840	593,649
Total Liabilities	**33,934,386**	**31,540,370**
Surplus Funds:		
Special contingency reserves	400,750	386,250
General contingency reserve (unassigned surplus)	802,696	801,139
Total Surplus Funds	**1,203,446**	**1,187,389**
Total Liabilities and Surplus Funds	**$35,137,832**	**$32,727,759**

See accompanying Notes to Financial Statements.

Statement of Operations and Surplus Funds

	Year Ended December 31 1975	1974
	(In Thousands)	
Income:		
Premiums and annuity considerations	$5,037,616	$4,672,811
Net investment income	2,043,470	1,921,303
Net unrealized and realized capital gains (losses) on investments in separate accounts	96,580	(221,894)
Total Income	$7,177,666	$6,372,220
Application of Income:		
Benefit payments (other than dividends) to policyholders and beneficiaries	$3,460,182	$3,237,317
Additions to reserve liabilities for future payments	1,673,611	1,184,248
Insurance expenses	924,871	894,134
Taxes (other than investment taxes):		
Federal income taxes	239,263	243,956
Other taxes	109,189	108,432
Total application before dividends to policyholders and additions to surplus	6,407,116	5,668,087
Dividends to policyholders as approved annually by the Board of Directors	791,601	787,471
Additions to (deductions from) surplus	(21,051)	(83,338)
	770,550	704,133
Total Application of Income	$7,177,666	$6,372,220
Changes in Surplus Funds:		
Surplus funds at beginning of year	$1,187,389	$1,601,685
Additions (deductions) from application of income	(21,051)	(83,338)
Net unrealized and realized capital gains (losses) on general account investments of $131,673,000 in 1975 and ($423,951,000) in 1974 less increase (decrease) in investment reserves of $42,110,000 in 1975 and ($77,926,000) in 1974	89,563	(346,025)
Other adjustments—net	(52,455)	15,067
Surplus funds at end of year	$1,203,446	$1,187,389

This statement includes Separate Account transactions.

See accompanying Notes to Financial Statements.

Statement of Changes in Financial Position

	Year Ended December 31 1975	1974
	(In Thousands)	
Source of Funds:		
Additions to reserve liabilities for future payments, deducted from income but not expended	$ 1,673,611	$ 1,184,248
Excess of income over application of income before dividends to policyholders and additions to surplus	770,550	704,133
From dispositions and adjustments in value of general account invested assets:		
Bonds and stocks	7,044,079	7,789,603
Mortgage loans and real estate	967,041	1,078,705
Other—net (principally changes in various asset and liability accounts not requiring or providing funds and net realized capital gains (losses) on general account investments)	757,513	(358,599)
Total	**$11,212,794**	**$10,398,090**
Application of Funds:		
Dividends to policyholders as approved annually by the Board of Directors	$ 791,601	$ 787,471
By acquisition of general account invested assets:		
Bonds and stocks	8,919,857	8,180,244
Mortgage loans and real estate	1,147,770	1,328,487
Net increase in general account cash and other assets	162,943	183,707
Net increase (decrease) in separate account assets	190,623	(81,819)
Total	**$11,212,794**	**$10,398,090**

See accompanying Notes to Financial Statements.

Notes to Financial Statements

For the years ended December 31, 1975 and 1974

Accounting Policies

The Company's financial statements are prepared on the basis of accounting practices prescribed or permitted by insurance regulatory authorities. Since the primary interest of such authorities is the ability of the Company to fulfill its obligations to policyholders, the financial statements are oriented to the insuring public. Significant aspects of the accounting practices followed in the financial statements are as follows:

Invested Assets and Related Valuation Reserves—Bonds subject to amortization are stated at their amortized value, income bonds in good standing at cost, preferred or guaranteed stocks at cost (in certain instances as adjusted), common stocks and all other bonds at market value, mortgages at amortized indebtedness, all in accordance with the valuation procedures of the National Association of Insurance Commissioners. Real estate is stated at market value or less and other assets are valued in conformity with the New York Insurance Law. A mandatory securities valuation reserve (required by the National Association of Insurance Commissioners) and a mortgage loan and real estate valuation reserve (established by the Company) have been included among the liabilities.

Policy Reserves—Policy reserves are computed generally on the net level premium method and are based on mortality, morbidity and interest bases permitted under the insurance laws. Such reserves are sufficient to provide for contractual surrender values which is essential for participating business conducted on a mutual basis.

Surplus Funds—Since Metropolitan is a mutual company, its surplus funds, whether reported as special funds or as unassigned, represent general contingency reserves held for the benefit of policyholders.

Revenues and Expenses—Premium revenues are reported over the premium-paying period. Investment income is reported and expenses, including acquisition costs, are charged to operations as incurred; there are no incurred expenses which are deferred for charges to future reporting periods.

Pensions

The Company has pension plans covering all of its eligible employees and agents and follows a policy of funding pension costs as they accrue. The total cost of the Company's plans for the years ended December 31, 1975 and 1974 was approximately $56,400,000 and $56,800,000, respectively.

Mortgage Loans

The Company's investment in real estate may be handled through directly owned and operated properties, through properties owned but operated by others, or through joint ventures in which the Company itself is a partner or in which one of Metropolitan's subsidiaries is a partner. These joint ventures may secure mortgage loans from the Company. The amortized indebtedness of such mortgages as of December 31, 1975 and 1974 was approximately $896,200,000 and $818,300,000, respectively.

Auditors' Opinion

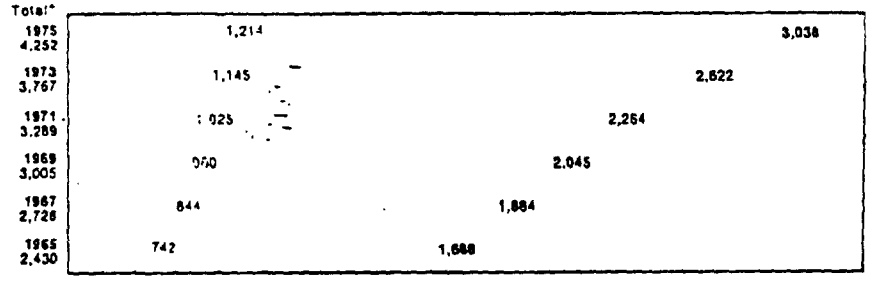
Metropolitan Life Insurance Company:

We have examined the balance sheet of Metropolitan Life Insurance Company as of December 31, 1975 and 1974 and the related statements of operations and surplus funds and of changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Metropolitan Life Insurance Company at December 31, 1975 and 1974 and the results of its operations and the changes in its financial position for the years then ended, in conformity with accounting practices prescribed or permitted by insurance regulatory authorities and generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

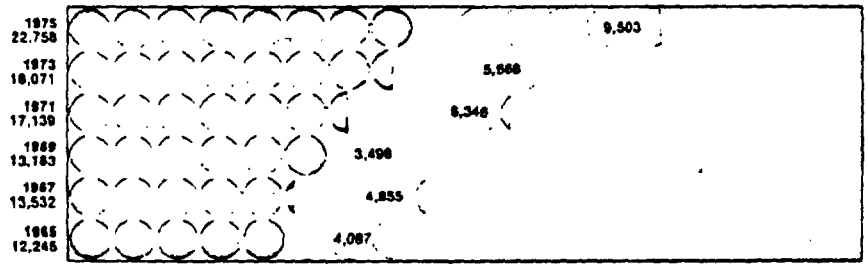
New York, New York 10004
February 12, 1976



Payments to Policyholders and Beneficiaries

Death Claims

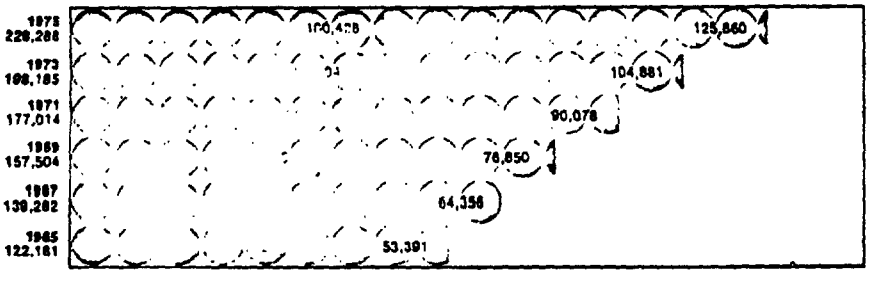
Payments to Living Policyholders



Life Insurance Issued

Personal

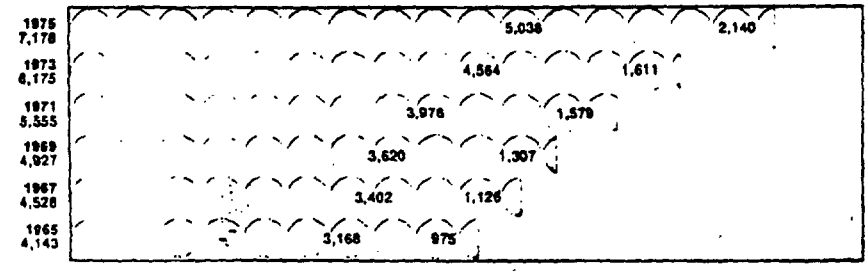
Group



Life Insurance In-Force

Personal

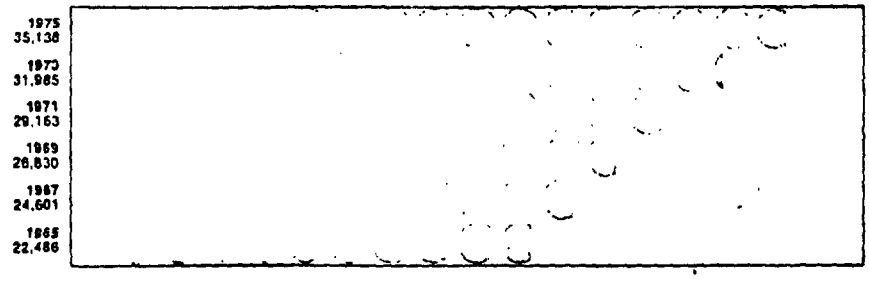
Group



Total Income

Premium Income

Net Investment Income



Total Assets

*All data in millions of dollars

Board of Directors

as of December 31, 1975

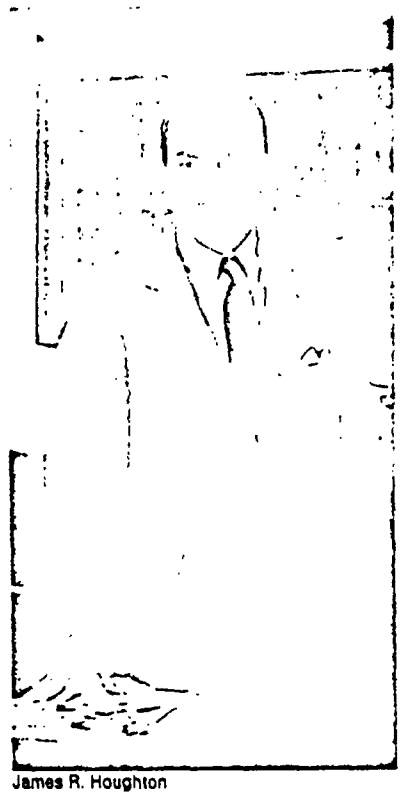
Gilbert W. Fitzhugh, Rancho Santa Fe, Calif.
G. Keith Funston, Greenwich, Conn.
John D. Harper, Pittsburgh, Pa., Chairman of the Executive Committee, Aluminum Company of America
Herbert S. Hazeltine, Los Angeles, Calif., Senior Partner, Adams, Duque & Hazeltine
James R. Houghton, Corning, N.Y., Vice-Chairman of the Board, Corning Glass Works
George P. Jenkins, New York, N.Y., Chairman of the Board, Metropolitan Life Insurance Company
Lewellyn A. Jennings, Washington, D.C.
George E. Johnson, Chicago, Ill., President, Johnson Products Co., Inc.
Donald P. Kircher, New York, N.Y.
Melvin R. Laird, Washington, D.C., Senior Counsellor for National and International Affairs, Reader's Digest
Charles F. Luce, New York, N.Y., Chairman of the Board, Consolidated Edison Company of New York, Inc.
Birny Mason, Jr., New York, N.Y.
W. Earle McLaughlin, Montreal, Que., Canada, Chairman and President, The Royal Bank of Canada
Albert L. Nickerson, New York, N.Y.
Martha E. Peterson, Beloit, Wis., President, Beloit College
John B. M. Place, New York, N.Y., Chairman of the Board, President and Chief Executive Officer, The Anaconda Company
L. Edmund Rast, Atlanta, Ga., President, Southern Bell Telephone and Telegraph Company
John P. Roberts, Toronto, Ont., Canada, Stikeman, Elliott, Roberts & Bowman
Richard R. Shinn, New York, N.Y., President and Chief Executive Officer, Metropolitan Life Insurance Company
Gerald A. Sivage, Chicago, Ill.
Donald B. Smiley, New York, N.Y., Chairman of the Board, R. H. Macy & Co., Inc.
William S. Sneath, New York, N.Y., President, Union Carbide Corporation
Emmett G. Solomon, San Francisco, Calif., Chairman of the Executive Committee, Crocker National Bank
W. Allen Wallis, Rochester, N.Y., Chancellor, The University of Rochester
Robert C. Weaver, New York, N.Y., Distinguished Professor of Urban Affairs, Hunter College
Walter R. Williams, Jr., New York, N.Y., Chairman, Union Dime Savings Bank

Metropolitan's Board of Directors represents a broad range of background and experience. Its members include distinguished individuals from commerce, industry, public service, education, finance and law.

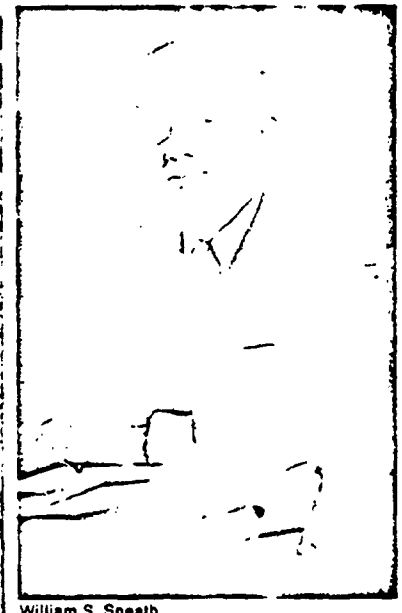
Two new members joined the Board in 1975: William S. Sneath, President of Union Carbide Corporation, and James R. Houghton, Vice-Chairman of the Board of Corning Glass Works.

Frederick R. Kappel, retired Chairman of the Board of the American Telephone and Telegraph Company, retired as a Board member in 1975 following 17 years of service.

Through his conscientious efforts, personal leadership, thoughtful counsel and sound guidance, Mr. Kappel made an outstanding contribution to Metropolitan Life and to its policyholders for nearly two decades.



James R. Houghton



William S. Sneath

Metropolitan Life's Principal Offices

Home Office
One Madison Avenue
New York, N.Y. 10010

Canadian Head Office
180 Wellington Street
Ottawa, Ont. K1P 5A3, Canada

Central Head Office
12902 East 51st Street
P.O. Box 500
Tulsa, Okla. 74102

Mideastern Head Office
90 Lulay Street
Johnstown, Pa. 15915*

Midwestern Head Office
1420 Miamisburg-Centerville Road
Dayton, Ohio 45448*

New England Head Office
334 Knight Street
P.O. Box 300
Warwick, R.I. 02887*

Southeastern Head Office
Metropolitan Plaza
Tampa, Fla. 33607

Western Head Office
One Metropolitan Plaza
425 Market Street
San Francisco, Calif. 94105

*Temporary quarters

Metropolitan Property and Liability Insurance Company†
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