

**The Metropolitan
representative is
a family's
bridge
between**



**today and
tomorrow**



Metropolitan
1980 Annual Report

Metropolitan Life Insurance Company is a mutual life insurance company, operated for the benefit of its policyholders. As such, it has no stockholders. Policyholders elect its directors and share in its business results in the form of dividends.

Metropolitan Products and Services

Personal Insurance

Life
Pensions
Medical Care
Disability

Group Insurance

Life
Pensions
Medical Care
Disability
Vision Care
Dental

Property and Liability Insurance

Auto*
Homeowner's*

*Currently not available in some states

Reinsurance

Treaty
Facultative

Metropolitan's Operating Subsidiaries

•Metropolitan Property and Liability Insurance Company (MPL), established in 1972, now provides automobile and home-owner's insurance in 43 states.

•Metropolitan Reinsurance Company (MetRe), formed in 1976, participates in insurance of property and casualty risks of primary insurance companies. Coverages include all types of property and casualty reinsurance.

•Metropolitan Insurance and Annuity Company (MIAC), formed in 1976, is licensed to sell life and health insurance in 47 states and the District of Columbia. MIAC also offers customers highly competitive annuity products reflecting current investment returns.

•In 1978, Metropolitan acquired DTSS Incorporated, which provides timesharing, software and support packages to corporations and other users. With the acquisition of DTSS, Metropolitan can now market its electronics and timesharing capabilities worldwide.

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Highlights of 1980

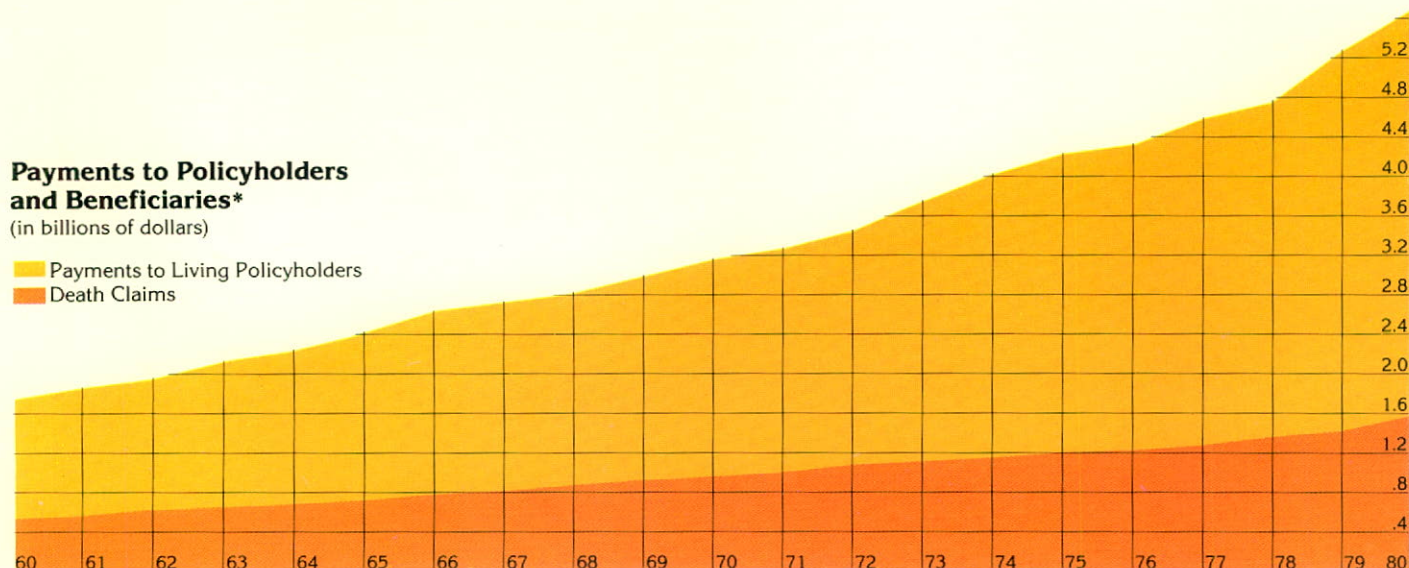
Year Ended December 31	1980	1979
	(In Thousands)	
Payments to Policyholders and Beneficiaries, including dividends	\$ 5,715,715*	\$ 5,291,614
Dividends	1,072,758	1,136,273
To individual policyholders	912,561	912,463
To group policyholders	160,197	223,810
Total Income	9,812,331*	9,169,109
Premiums and pension considerations	6,171,675*	5,934,722
Net investment income	3,640,656	3,234,387
Company Assets	48,309,771	44,967,563
Return on Invested Assets	8.08%	7.70%
Life Insurance Sales	32,143,707	41,444,427
Personal life insurance sales	15,641,940	15,601,842
Group life insurance sales	16,501,767	25,842,585
Life Insurance In-Force	349,192,320	323,588,876
Personal life insurance in-force	119,584,630	115,817,876
Group life insurance in-force	229,607,690	207,771,000
New Pension Premium	1,141,797	920,770
Premiums for individual pensions	63,085	49,724
Premiums for group pensions	1,078,712	871,046
Health Insurance Sales	382,149	417,605
To individual policyholders	16,595	18,435
To group policyholders†	365,554	399,170
Automobile and Homeowner's Insurance Sales	91,173	62,247

†Includes amounts representing benefit payments of \$188,664,000 in 1980 and \$166,336,000 in 1979 for cases administered on an excess risk basis or noninsured plans administered by Metropolitan.

Payments to Policyholders and Beneficiaries*

(in billions of dollars)

■ Payments to Living Policyholders
■ Death Claims



* Adjusted to exclude the effects of reinsurance agreements entered into during 1980, in the interests of consistency of presentation. (See page 27, footnote 5.)

To Metropolitan Policyholders

1980 was a year in which our economy was subjected to powerful and unusual stresses, including persistent inflation, high interest rates, and volatile financial markets.

Such an environment creates difficulty for individuals and corporations in general, but is particularly difficult for financial institutions. Economic uncertainty has a direct impact not only on the financial products demanded by the public, but also on investment strategies.

Despite this challenging environment, 1980 was a year of significant growth and development for Metropolitan, and a number of 1980 accomplishments deserve mention:

- Almost \$6 billion was paid to Metropolitan policyholders and beneficiaries during 1980, a Company record, with more than 70 percent going to living policyholders.
- Metropolitan's total assets rose to \$48.3 billion, an increase of \$3.3 billion.
- With a record increase of over \$350 million, Metropolitan's net investment income was just under \$3.5 billion.
- Return on invested assets reached an all-time high of 8.08 percent, an increase of 38 basis points over the previous year.
- Group life insurance in-force topped \$229 billion, a new industry record.
- Group pension assets reached an all-time high, exceeding \$14 billion.

- New premium from our personal lines—life, property and liability, annuities, health and employee benefit plans—reached a record high of \$424 million.

To meet the demanding challenges of 1980, Metropolitan exercised great care in cash management, control of operating costs, product development and market expansion.

Cash Management

The life insurance industry experienced a substantial increase in both policy loans and surrenders, reflecting a general disintermediation in financial markets. While Metropolitan was significantly less affected than many other companies, cash management was a major challenge to us in 1980.

An increase in our cash flow was a particularly important accomplishment in a year when interest rates were at substantial levels. The fact that Metropolitan did not have to resort to borrowing funds at high rates contributed to maintaining our competitive position.

Cost Control

The Company's operating costs—like the costs experienced by individuals and corporations throughout the nation—were impacted during the year by inflation. However, 1980 marked the fourth consecutive year during which our increase in expenses was lower than the inflation rate. Increased productivity on the part of our marketing organization, together with improvements in our administrative systems, enabled the Company to control costs while improving service.

Our ongoing expense management program, together with a substantial improvement in Metropolitan's overall investment return, resulted in cost reductions in our life and pension coverages. In fact, the costs for these products are now lower than at any time in the past.

New Products and Expanded Markets

Product innovation was a marketplace necessity during 1980. The instability in interest rates and high inflation rates created markets for contracts with high-interest guarantees, but for shorter periods than in the past. A ready response to changing needs of both group and individual pension customers resulted in continued increases in new business.

During 1980, industry trends continued toward temporary term coverages rather than the lifetime guaranteed permanent coverages. At Metropolitan, however, permanent life insurance issued represented a higher percentage of total individual life insurance sales than in 1979. Metropolitan has always offered attractive products for both permanent and term coverages, believing that both types of contracts meet policyholders' financial needs.

Even as the year 1980 ended, preparations were under way to introduce—during 1981—our new Whole Life PLUS product, which is designed to meet the needs of individual policyholders who seek additional permanent life insurance protection at an attractive cost.

Metropolitan has long been a leader in group insurance. Outstanding performance over the years in the highly competitive large-case market has provided a solid foundation for a renewed thrust both into the medium-sized market—resulting in an almost 70 percent increase in sales in 1980—and into the small group market, where we have almost doubled our number of policyholders over the past two years.

Our property and liability company continued to expand rapidly,

showing a 60 percent increase in premium income from personal automobile and homeowner's coverages.

Selective market expansion, in terms of both the types and the intensity of the Company's response to emerging opportunities, remained a key element of our overall strategy. Careful selectivity ensures we will move forward at a measured pace to reinforce and amplify both our financial strength and our service to our policyholders.

Looking Ahead

In the year ahead, we are facing both challenges and opportunities, but we face them with a sense of confidence.

The many fundamental changes made within Metropolitan over the last several years place us in a position of strength. We believe the course we have set will ensure an expanding and competitive product line, further growth, and improvement in the cost of our products.

Sound investment strategies that balance current yields with protection against inflation will be of major importance in meeting our objectives.

Improvement in the training given to our people, as well as providing the systems necessary to increase productivity, will continue to produce improvement in the cost of our products and the quality of our service.

We expect 1981 to be a year in which those companies that respond well to economic stress and changing marketplace needs, without sacrificing long-term goals, will prosper. Metropolitan is just such a company—thanks to the continued support of our policyholders and the productive energies of Metropolitan people everywhere.

Richard R. Shinn

Richard R. Shinn
Chairman and Chief Executive Officer



Richard R. Shinn, Chairman and Chief Executive Officer, flanked by President John J. Creedon on the left, Vice-Chairman Robert G. Schwartz on the right.



The option
is yours...
You can
use it now!

OZ
OF
WIZARD

The Bridge Between Today and Tomorrow

Meeting the insurance needs of millions of American and Canadian families is the task of Metropolitan's Sales Representatives. With family financial security in an uncertain world at stake, the importance of a representative's judgment and skills cannot be overestimated. Metropolitan's career representatives are highly trained and committed to serve their clients. The following is a composite story based on actual cases and demonstrates how a Metropolitan Sales Representative serves the needs of our policyholders.

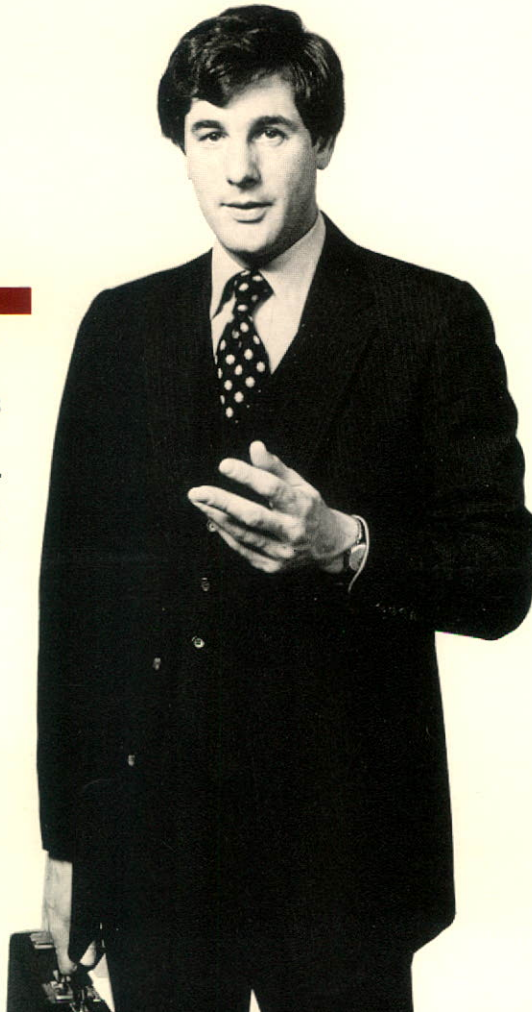
Dave Green is typical of Metropolitan's top sales producers. At 34, he has his professional designation as a Chartered Life Underwriter and is qualified by

training, examination, and experience to sell Metropolitan's entire line of personal insurance products, including life and health insurance, retirement plans, as well as automobile and homeowner's insurance.

His new clients, Bill and Jane Hartman, are a couple in their mid-thirties with two children. They had recently purchased a new car and had come to Dave for a price quote on Metropolitan automobile coverage. Like so many contemporary families, the Hartmans were sensitive to the costs of such necessities as food, utilities, and required property insurance; they had actively shopped for their automobile protection and were attracted to Dave Green on the basis of Metropolitan's rates and reputation. Thanks to the sale of a comprehensive family automobile policy, Dave established a relationship with the Hartmans.

Bill Hartman is an up-and-coming accountant, with a practice rapidly gaining recognition for expertise in taxation. He realized if his business continued to grow at

"My relationship with the Hartmans began because their auto insurance rates kept rising every six months. Their concern coincided with my approach to contacting prospective clients."





“At first, I was surprised at the amount of insurance we needed. I’ve always thought some of our friends were overinsured. They certainly talk about the size of their premiums. Evidently, they don’t understand what it does for them. I’m thankful we met Dave, because now we know.”



its present pace, he'd soon have to hire an assistant. He had planned to make such a move earlier, but their son's illness and subsequent surgery necessitated some purse-tightening on the part of the Hartmans—including a delay in any business expansion. Bill was generally knowledgeable enough about life insurance, through his own business experience, to feel his family's insurance program was insufficient. But until Dave asked to review it during one of his periodic calls, Bill had never given it much priority.

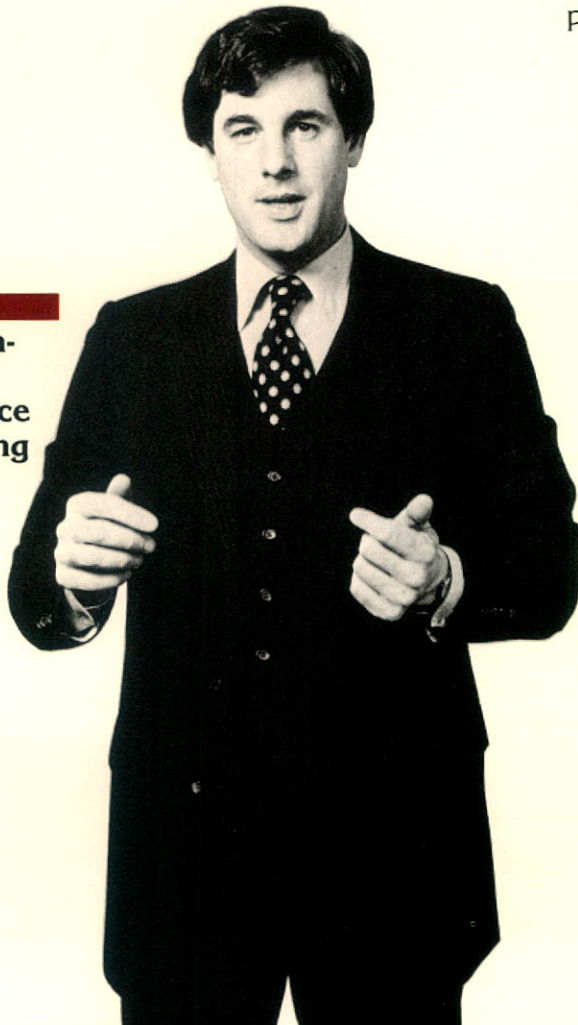
When Dave, using Metropolitan's Insurance Review Service, analyzed the Hartmans' current coverage and their personal goals step by step, they realized their existing term life insurance coverage fell far short of their real

long-term needs. They discovered their current plan, largely based on term policies written shortly after Bill's college graduation, provided only for immediate needs in the event of Bill's sudden death. Premiums would increase in future years, reflecting higher renewal ages.

Dave pointed out that the Hartmans would benefit from a foundation of whole life protection, in which the premiums stayed level while the cash values kept growing over the years. Furthermore, they needed sufficient flexibility and coverage to provide for long-term life events, such as their children's education and additional funds for retirement.

The Hartmans acknowledged the need for more substantial coverage, but felt they could not afford it under their present financial circumstances. Dave showed them how they could manage it by building their insurance in planned stages to meet their eventual needs. He pointed out it was to their advantage to start the program before Bill's upcoming

"An insurance representative's attitude and willingness to provide service are paramount to forming a lasting relationship."



birthday, since the premiums would be substantially lower. But the Hartmans' heavy expenses—in particular, their high mortgage payments and the expenses of their son's operation—made it impossible for them to meet the premium at that time.

Now able to analyze Bill's plans for his business together with family needs, Dave suggested several alternatives to their problem. Dave's solution was a plan in which the Hartmans' growing accounting firm would pay the premiums under an arrangement where the amount was shown as additional income on Bill's personal income tax return. Eventual growth of the business would lead to other plans covering key employees—not only life insurance, but health coverage and retirement plans as well.

Focusing on immediate family needs, Dave also illustrated the importance of coverage on Jane Hartman's life. The figures of a study Dave quoted to the Hartmans showed it would take

\$38,000 a year to pay other people to do just the things Jane did as a homemaker.

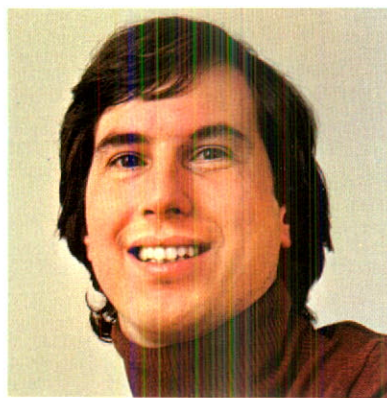
Based on this data, the Hartmans bought a \$10,000 policy on Jane's life, intending to increase the face amount in steps in the future. The Hartmans also realized a program for the children should be started. But with Dave's counsel and understanding of their current financial situation, the plan was deferred until next year.

As the relationship continued, the Hartmans came to trust Dave Green's advice. When their homeowner's coverage came up for renewal, they placed the plan with Metropolitan—a house and contents plan with a cost-of-living feature which automatically increases in value in line with consumer price indices. The move



“This is a time when a professional Sales Representative performs a major service. I helped Bill find the premium dollars.”





“It was a revelation, talking with Dave. In assessing our needs, he helped us determine they were much larger than our existing coverage provided for. Dave spelled things out for us.”



paid off only eight months later, when a winter storm seriously damaged their roof. The claim was promptly settled by Metropolitan's adjusters, and Dave stayed in regular contact to see that the Hartmans' inconvenience was short-lived.

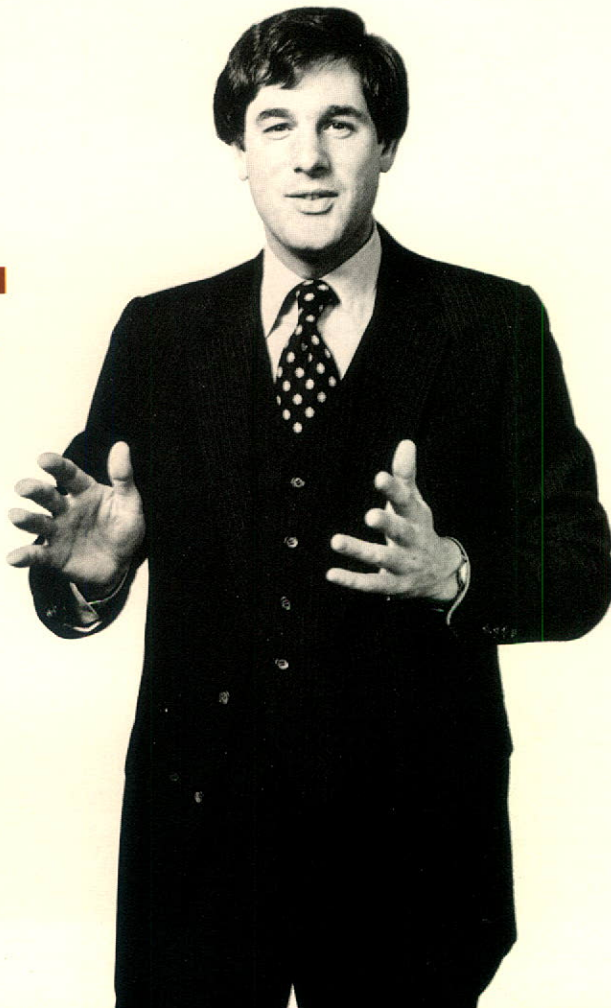
Today, the Hartmans' insurance program meets their needs and is in good balance with their present family budget and the protection of their business. As the accounting practice grows, along with Bill's income, the Hartmans plan to periodically upgrade their insurance program to meet new needs created by their changing lifestyle.

Dave Green will be on hand with his professional skills to see that the Hartmans' insurance program is kept up to date. The Hartmans have confidence in Dave, and

their relationship with him is on a par with the long-term relationship they've maintained with their doctor, their dentist, their attorney, and the other professionals to whom they have entrusted their personal well-being. Bill Hartman has referred Dave to some of his accounting clients with emerging insurance needs.

This is one story of a Metropolitan Sales Representative and the comprehensive service he was able to provide a single family. There are more than 15,000 Metropolitan Sales Representatives serving millions of policyholders throughout the United States and Canada offering a complete range of insurance products and services. Whether a quote on an automobile insurance policy or a comprehensive review of an employee retirement plan, the Metropolitan Sales Representative is prepared to build the bridge from today's needs to tomorrow's financial security.

"So far, the Hartmans have taken care of less than half of their needs. Now with Metropolitan introducing its new Whole Life PLUS policy in 1981, I'm anxious to show them how they can not only get up to one-third more protection for each dollar of premium, but work toward inflation-proofing their insurance program by adding our new Cost-of-Living rider."



Metropolitan as an Insurer

Personal Insurance

Personal life insurance sales in 1980 were over \$15 billion, matching the all-time record achieved in 1979. Total premium sales for all personal lines—life, health, annuities, property and liability and employee benefit plans—reached a new high of \$424 million, an increase of 9 percent over the previous year.

Personal life insurance in-force increased 3.3 percent to \$120 billion. Premium in-force was \$2.2 billion for personal life; \$185 million for personal annuity considerations and \$145 million for personal health. In all three categories, premium in-force exceeded 1979 results.

Premium reductions in 1980 on many of Metropolitan's personal life insurance contracts increased the competitiveness of the Company's product portfolio.

Other highlights included an increase in the face value of the average personal insurance policy to more than \$20,000; an over 20 percent improvement in average personal lines premium placed by Sales Representatives; and more favorable trends than general industry experience in keeping our personal insurance policies in-force.

Automobile and homeowner's insurance is provided by Metropolitan's subsidiary, Metropolitan Property and Liability Insurance Company (MPL), which completed 1980 with almost 700,000

policies in-force, an increase of 200,000 over 1979. The number of Metropolitan Sales Representatives licensed to sell these coverages reached 10,000 in 1980.

One of the outstanding results of the year was an increase in property and liability premium income of more than 60 percent, bringing that figure to \$225 million, the first time premium income ever exceeded \$200 million. MPL's mass merchandising of auto and homeowner's insurance through a payroll deduction system, inaugurated in 1979, gained considerable momentum in 1980.

More than 200,000 property and liability claims were processed through a decentralized field office claims system. A consumer survey revealed generally high satisfaction among policyholders for the promptness and quality of service rendered.

Group Insurance

Balanced growth and new milestones highlighted Metropolitan's 1980 group results. Group life insurance in-force reached a record \$229 billion. Total group life insurance issued in 1980 was \$16.5 billion, surpassing all prior years by a substantial margin, except for 1979, which set a Company and industry record. The number of group insurance cases increased 12.7 percent, indicating continued retention and expanded coverage with existing policyholders as well as increased sales to new clients. Some 264 new group cases were produced through Metropolitan's personal insurance Sales Representatives. Total group insurance premium volume exceeded \$5 billion.

A record was also established with group pension sales, which exceeded \$1 billion for the first

time. The 1980 total compares with \$1 million in group pension sales 10 years ago—proof of Metropolitan's competitiveness in the employee retirement and savings plan market. Net new money for group pensions amounted to more than \$1.4 billion at the end of 1980. Much of this business was obtained through the introduction of new guaranteed interest contracts.

Group pension assets under management reached a new high of over \$14 billion.

An important component of growth in the group business is quality service to clients. A highlight of the year was the installation of the Universal Claim System (UCS) to serve Metropolitan's dental insurance clients. This new claims system has resulted in more timely and effective service for customers.

In addition, Metropolitan efforts to bring superior service closer to customers were helped in 1980 with the opening of a combined sales and service group headquarters office in Hauppauge, New York.

MetRe

Substantial growth was recorded in 1980 for Metropolitan Reinsurance Company (MetRe), with premium volume up 55 percent from \$20 million to \$31 million.

MetRe was established as part of the Company's long-range program to broaden its insurance operations. MetRe underwrites property and liability reinsurance, largely in U.S. markets.

MetRe's first branch office was opened in Chicago in 1980 to broaden the range of reinsurance services offered its clients.

The Income Dollar and Its Use

Income Dollar

Net Investment Earnings
\$.37 of the income dollar

Personal Premium and
Annuity Consideration
\$.28 of the income dollar

Group Premium and
Annuity Consideration
\$.35 of the income dollar

Use of the Income Dollar

Expenses and Taxes
\$.16 of the income dollar

FOR THE BENEFIT OF POLICYHOLDERS AND BENEFICIARIES

Future Benefit Payments
and Contingencies
\$.26 of the income dollar

Payments to Policyholders
and Beneficiaries
\$.58 of the income dollar

Payments to Policyholders and Beneficiaries

TOTAL LIVING BENEFITS 72%

Disability and Other Benefits 5%

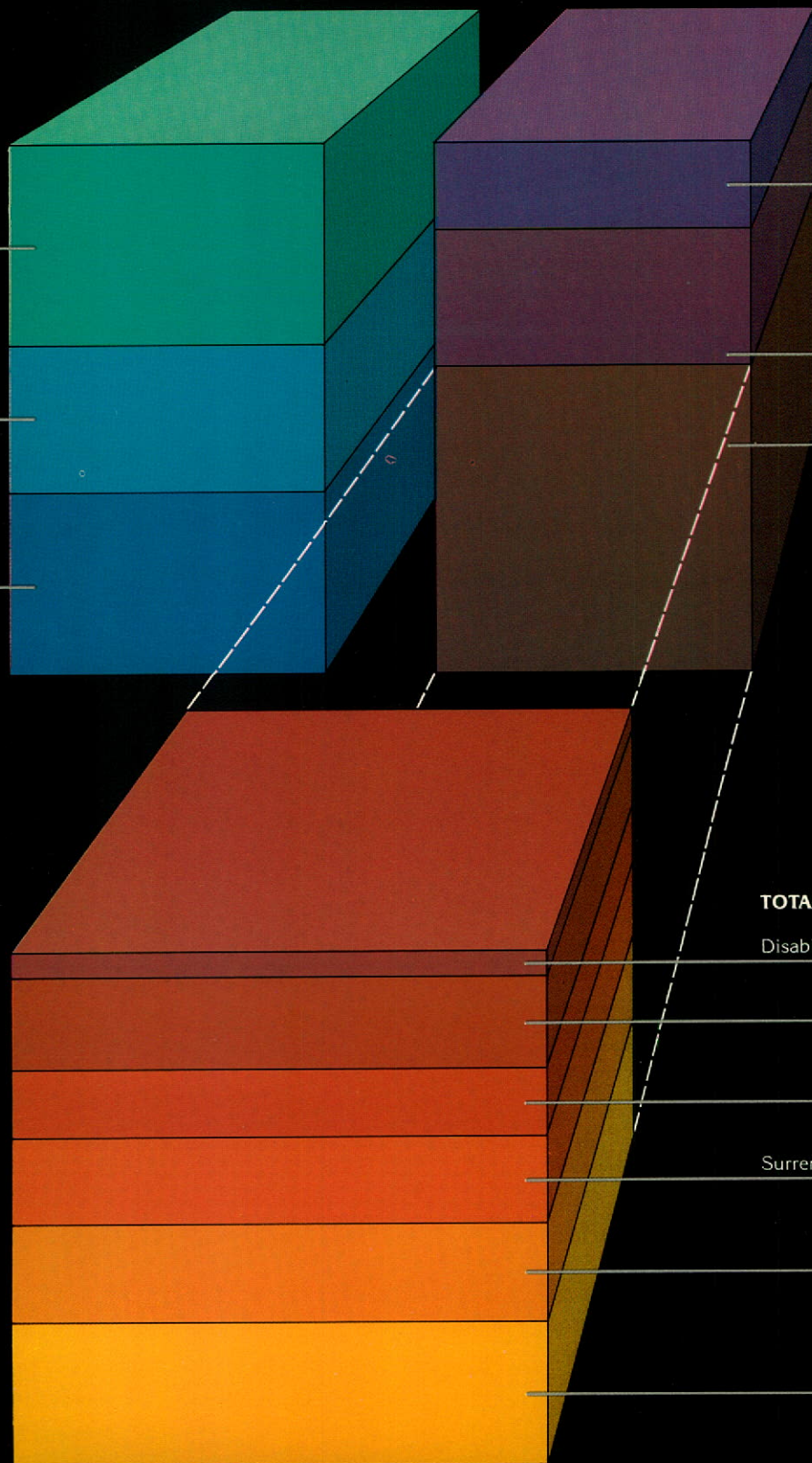
Health Benefits 18%

Annuity Benefits 13%

Surrenders and Endowments 17%

Dividends 19%

DEATH BENEFITS 28%



Beyond Insurance

As one of the world's largest insurance and financial service organizations, Metropolitan means financial security to millions of individuals, families and businesses throughout North America.

Our commitment, however, goes Beyond Insurance. Through the years, Metropolitan has fulfilled its diverse roles as an investor, employer and corporate citizen with the same sense of dedication and professionalism it brings to its roles as an insurer. The following pages discuss our involvement in these areas.

Metropolitan as an Investor

The economic turmoil of 1980 created unprecedented conditions in the financial markets as they reacted to U.S. government efforts to control money supply, interest rates and inflation. During this difficult year, Metropolitan continued to maintain its position of investment leadership through participation in traditional markets and also by moving into industries with innovative products.

The volume of new long-term investments in 1980 reached \$4.8 billion. Of this total, debt securities and preferred stock amounted to \$2.2 billion and

mortgages and real estate amounted to \$2.3 billion.

The following Metropolitan records were established in investment income and yields in 1980: investment income for other than separate account holdings rose to \$3.4 billion; the earned rate on the Company's total portfolio advanced 38 basis points to 8.08 percent, compared with 7.70 percent in 1979; and the gross yield on long-term investments made during 1980, before deducting expenses, was 11.41 percent, the best return in Metropolitan's history.

The amounts of new long-term investments in 1980 were almost identical to the totals of 1979, despite the diversion of funds many financial institutions experienced throughout the year. Metropolitan was able to weather that period through careful management of cash receipts and disbursements.

Debt Securities

Metropolitan has long played a major role in the private placement sector of the bond market. During 1980 the Company also engaged in more than \$1.0 billion of long-term public bond transactions, including corporate and government issues. Areas of the economy into which new bond investments flowed included the transportation industry and utilities. Substantial commitments were also made in energy industries and, in a related move, the Company made its first investment involving a synthetic fuel project.

Responding to broad concerns about the course of inflation and

future interest rates, Metropolitan endeavored to shorten the maturities of new long-term investments in the bond area. This provides future investment flexibility and better protects the interests of policyholders.

Equity Investments

Metropolitan's general and separate account stock investments gained 32 percent during the year, outperforming the Dow-Jones Industrial Index by a very substantial margin and equaling the rise in the broader based Standard & Poor's 500 Stock Price Index. In the course of the year, new separate accounts were established for special situations and energy stocks.

Real Estate Investments

Reflecting the strong demand in many cities for office space, Metropolitan committed some \$2 billion to office building development. Out of a number of major real estate transactions during 1980, perhaps the one attracting the most widespread interest was

Investments—The famous Pan Am Building serves as the prestigious centerpiece of Metropolitan's real estate investment portfolio.



Metropolitan's agreement to purchase the prestigious Pan Am Building in New York City. Most of the new mortgage loan commitments authorized in 1980 also provided the Company joint ownership in properties. An equity position in selected properties is viewed as of significant value to policyholders when one considers the attractive long-term returns on such investments.

Agricultural Investments

During the year, Metropolitan's Agricultural Investments Department disbursed over \$327 million in agricultural mortgages and related investments. By the end of 1980, the agricultural investment portfolio increased to a record \$1.6 billion.

Decentralized Operations

During 1980 Metropolitan continued to decentralize its real estate and corporate investment operations from the home office in New York City. The establishment of a corporate investment office in Houston exemplified this effort to better serve regional markets and to bring the Company's operations closer to current and potential clients as well as other members of the financial community. Other corporate investment offices are located in Georgia, California, Illinois, and the Province of Ontario, Canada.

By year-end, in addition to nine long-established branch offices in Agricultural Investments, the Real Estate Investments Department had six territorial offices and Corporate Investments had established five decentralized offices. Some real estate offices have already established satellites and more are planned.

Canadian Activities

In its first full year of operations, the Canadian Corporate Investment Office in Toronto invested about \$150 million in new bonds and common stocks. In addition, the office invested over \$70 million in mortgages during 1980.

Metropolitan will continue as a major presence in various investment sectors so policyholder capital will produce the best returns while contributing to the U.S. and Canadian economies.

Metropolitan as an Employer

Metropolitan offers rewarding career opportunities to its some 48,000 employees throughout the United States and Canada. In a decentralization program implemented in the 1970s, a network of head offices and sales, service and investment installations was created, providing enhanced customer service and also enriching job opportunities throughout the Company. This step, together with expanding electronic support for many of the Company's operations, continues to open wide varieties of jobs for Metropolitan employees.

Metropolitan offers compensation and benefits ranking among the best in the industry. Committed to providing a work environment conducive to the growth and development of its employees, Metropolitan sponsors training and education programs to encourage and help employees qualify for better positions within the Company. In 1980 hundreds of employees increased their professional skills through programs ranging from computer technology training to study for the Chartered Life Underwriter designation.

Beyond direct work-related development Metropolitan, through its Center for Health Help and Employee Advisory Services, provides health-enhancement programs, including periodic health examinations, as well as personal counseling programs for employees.

In 1980 a preretirement counseling program, previously available only to employees in the home office, was extended to employees in Metropolitan's head offices and dispersed locations. The program consists of interviews to help employees plan more effectively in advance for retirement in terms of their retirement benefits and the personal and social changes they can anticipate.

Quality and Productivity Improvement

To provide the best possible service to its policyholders, Metropolitan places great emphasis on the personal productivity of employees. In line with this emphasis, a new quality commitment and productivity program was inaugurated in 1980 to help employees improve the time-

Employer—At Metropolitan, communications is a continuing two-way exchange of ideas. A program of regular face-to-face meetings, such as this Coffee Klatch discussion group, enables management and employees to meet and share views of Company operations and goals.





liness and accuracy of their work. While such programs have received some attention in the manufacturing field, Metropolitan is in the vanguard of instituting them in the financial services industry.

The first part of this program involves training of managerial and supervisory personnel in specific methods of identifying work problems and possible solutions. The second part concerns the opening of new lines of communication between management and employees through the involvement of various levels of workers in the solution to work flow problems.

Initial results of these efforts at decentralized locations were successful, and these programs will be extended further in the Company in 1981.

Productivity at Metropolitan was also enhanced by the continued expansion of word processing operations during 1980. The program was expanded in the home office and installed in several dispersed administrative facilities, resulting in improved quality and

volume of written materials, operating economies, and employee job growth and satisfaction.

Rights to Privacy

Metropolitan is concerned with insuring privacy as well as lives. The Company's commitment takes the form of programs designed to foster fair practices in gathering, using, maintaining and disclosing information about employees, applicants and policyholders.

In addition to its established Insurance Privacy Program, in 1980 the Company articulated its Employee Privacy Program. This program protects the privacy of employees, former employees and job applicants and encourages candor toward all individuals regarding their employment records.

Equal Employment Opportunity

Last year saw the continuing implementation of Metropolitan's full commitment to equal opportunity with a wide range of programs in effect to help women, minority group members, handicapped persons, and disabled veterans and veterans of the Vietnam conflict prepare for better positions.

Metropolitan as a Corporate Citizen

Active corporate citizenship has assumed an ever-enlarging role at Metropolitan over the years. The Company operates under the premise that its business interests complement its policyholders' interests and the public interest in general.

In fulfilling its basic purpose as an insurer, Metropolitan provides products and services geared to

meet the broadest spectrum of customer needs at the lowest possible cost.

In its investment activities, Metropolitan provides borrowers funds for ventures that help create jobs and increase production throughout the United States and Canada. A significant effort to converge the public interest and the Company's interest is demonstrated by Metropolitan's new Energy Account, a stock portfolio for qualified retirement plans, the assets of which are invested in companies producing coal, oil or natural gas, or working on alternate energy sources.

Also, Metropolitan's Consumer Affairs Division provides monitoring supervision on behalf of consumer interests of the Company's policyholders.

The corporate citizenship function at Metropolitan also includes health and safety education, contributions, and community service activities, the latter designed to assist the many communities where Company installations are located.

Health and Safety Education

The Company's long-established record of significant public service is typified by providing community health and safety information. This effort continued in 1980 with the introduction of several important new programs. The "Stay Well" leaflet series advises the public on how to maintain health and prevent disease through personal effort. Nine million of these leaflets were distributed during the year. The "Stay Well" series was also used

Corporate Citizen—Metropolitan brings dedicated people into nursing through its Columbia University scholarship program.

in extensive health awareness programs for the Company's own employees and many of its group insurance customers.

A videotaped nutrition series called "Eat Well, Be Well" was also produced in 1980 and made available for nutrition education programs in the workplace, school and other group settings.

Several new films were presented to the public in 1980, one focusing on the importance of good communications between patients and health care providers, another showing how a community can successfully create a burn prevention demonstration and symposium. A series of six films on emergency first aid teaches the layperson how to cope with life-threatening emergencies while awaiting medical care.

Contributions

The upward trend of Metropolitan's financial assistance to non-profit organizations continued in 1980, with contributions exceeding \$3.2 million in support of health, civic, educational and cultural activities and United Ways throughout the United States and Canada.

Three new competitive grant programs were introduced in 1980, related to higher education institutional self-study, student health, and nutrition education. Another new grants program was introduced through Metropolitan's

U.S. head offices, computer centers and its home office to encourage young persons to develop projects or services designed to improve their communities. Sixty-three youth grants were awarded in 1980.

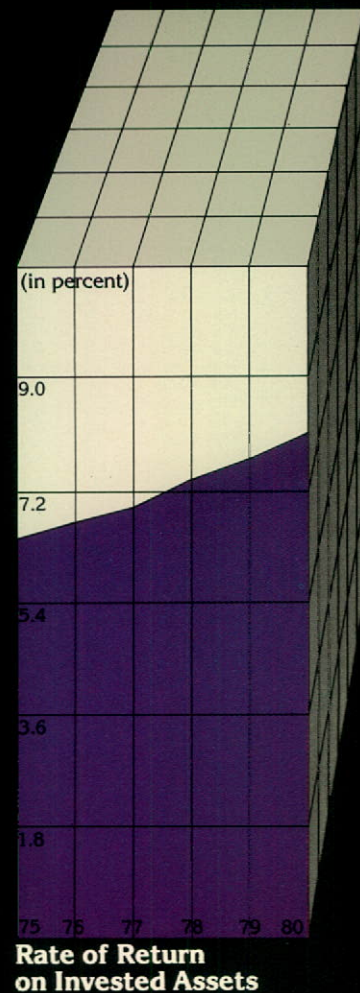
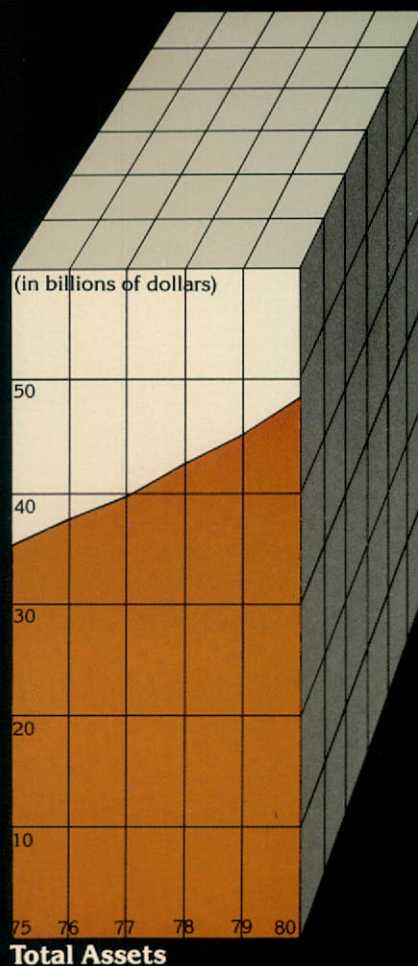
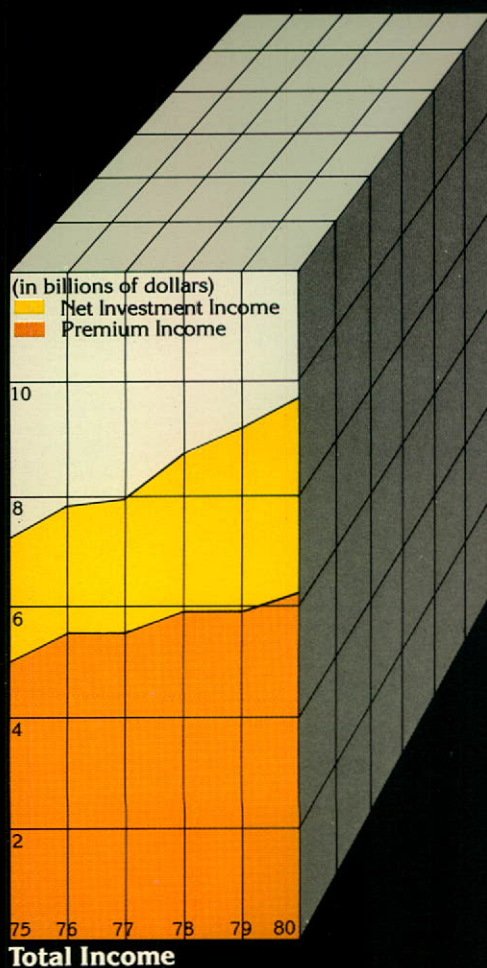
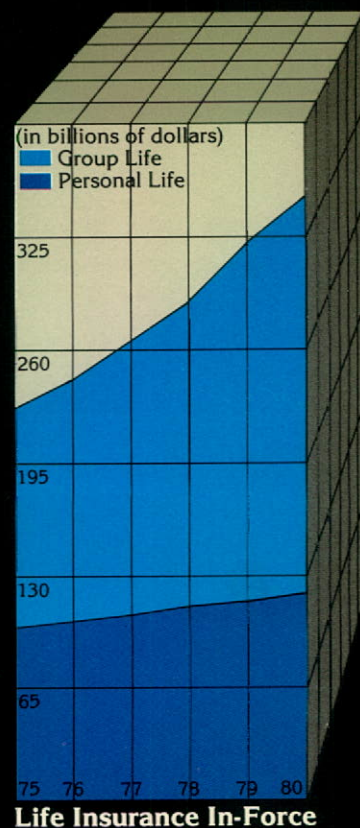
The second season of "The Shakespeare Plays," co-underwritten by Metropolitan, was presented on public television. The telecasts of the plays were supported by an educational outreach program for high schools. The Company also undertook its first venture in public radio by underwriting broadcasts of Boston Symphony Orchestra concerts from the Berkshire Festival at Tanglewood in summer 1980.

Additional support of the arts included funding in part for two touring museum exhibitions—"Shakespeare: The Globe and the World," a multimedia exhibit of memorabilia from the Folger Shakespeare Library, Washington, D.C., and "The Boston Tradition," an exhibit of American paintings from The Museum of Fine Arts, Boston.

Other Corporate Citizenship

Metropolitan continued its program of encouraging the economic development of women and minorities. A new undertaking last year was the deposit of Metropolitan funds in a leading women's bank. Purchases from minority businesses continued to increase, up some 48 percent over the previous year.

Financial Section



Balance Sheets

December 31	1980	1979
	(In Thousands)	
Assets		
Bonds:		
United States, Canadian, and other government	\$ 1,925,199	\$ 2,108,808
Provincial, municipal, and public agencies	586,279	601,730
Industrial and commercial	17,626,373	16,978,305
Public utility	4,361,005	4,047,303
Railroad	1,018,915	825,930
	25,517,771	24,562,076
Stocks Unaffiliated With Metropolitan:		
Preferred or guaranteed	905,621	826,169
Common	851,116	837,619
	1,756,737	1,663,788
Mortgage Loans on Real Estate:		
Residential, commercial, and industrial	12,527,898	11,384,052
Farm and ranch	1,627,415	1,445,746
	14,155,313	12,829,798
Investments in Subsidiaries (other than real estate subsidiaries)	447,200	266,100
Investment Real Estate (includes investments in joint ventures and real estate subsidiaries)	827,887	761,356
Properties Acquired for Company Use	188,926	180,336
Policy Loans	2,199,097	1,905,668
Cash and Bank Deposits	77,205	30,277
Premiums Due and Deferred	1,373,794	1,087,612
Investment Income Due and Accrued	770,695	718,923
Other Assets	117,314	98,902
Separate Account Assets	877,832	862,727
Total Assets	\$48,309,771	\$44,967,563

Assets included above amounting to \$2,201,954,000 and \$2,034,142,000 at December 31, 1980 and 1979, respectively, are deposited with various public officials and trustees under the requirements of law or regulatory authorities.

See accompanying Notes to Financial Statements.

December 31	1980	1979
	(In Thousands)	
Liabilities and Contingency Reserves		
Statutory Policy Reserves:		
Life insurance and annuity reserves	\$37,018,463	\$34,941,692
Accident and health and aviation reinsurance reserves	234,212	223,782
	37,252,675	35,165,474
Policy Proceeds and Dividends Left With Company	1,314,390	1,375,714
Set Aside for Dividends to Policyholders	929,332	951,234
Policy and Contract Claims	435,279	399,569
Policy Premiums Deposited or Received in Advance	1,844,627	1,317,624
Other Policy Liabilities	2,539,201	2,303,647
Taxes Accrued	47,987	111,565
Mandatory Securities Valuation Reserve	679,583	428,787
Mortgage Loan and Real Estate Valuation Reserve	93,097	83,605
All Other Liabilities	241,030	215,787
Separate Account Business	877,234	862,236
Total Liabilities	46,254,435	43,215,242
Special Contingency Reserves	482,550	463,150
General Contingency Reserve	1,572,786	1,289,171
Total Contingency Reserves	2,055,336	1,752,321
Total Liabilities and Contingency Reserves	\$48,309,771	\$44,967,563

Statements of Operations and Contingency Reserves

<i>For the years ended December 31, 1980 and 1979</i>	<i>Notes</i>	<i>1980</i>	<i>1979</i>
		<i>(In Thousands)</i>	
Income:			
Premiums and annuity considerations	5	\$6,017,452	\$5,934,722
Net investment income		3,498,682	3,144,578
Net unrealized and realized capital gains on investments in separate accounts	4	141,974	89,809
Total Income		\$9,658,108	\$9,169,109
Application of Income:			
Benefit payments (other than dividends) to policyholders and beneficiaries	5	\$3,595,497	\$4,155,341
Additions to reserve liabilities for future payments		2,264,248	2,081,250
Insurance expenses		1,158,881	1,088,695
Taxes (other than investment taxes):			
Federal income taxes		78,088	343,119
Other taxes		130,546	130,474
Other applications—net	5	878,891	—
Total application before dividends to policyholders and additions to contingency reserves		8,106,151	7,798,879
Dividends to policyholders as approved annually by the Board of Directors		1,072,758	1,136,273
Additions to contingency reserves		479,199	233,957
		1,551,957	1,370,230
Total Application of Income		\$9,658,108	\$9,169,109
Changes in Contingency Reserves:			
Contingency reserves at beginning of year		\$1,752,321	\$1,527,922
Additions from application of income		479,199	233,957
Net unrealized and realized capital gains on general account investments of \$160,621,000 in 1980 and \$123,860,000 in 1979 net of change in investment reserves of \$260,287,000 in 1980 and \$77,674,000 in 1979	4	(99,666)	46,186
Change in reserve for minimum annuity valuation standards of certain states		4,032	13,063
Other adjustments—net		(80,550)	(68,807)
Contingency reserves at end of year		\$2,055,336	\$1,752,321

*These statements include separate account transactions.
See accompanying Notes to Financial Statements.*

Statements of Source and Application of Funds

For the years ended December 31, 1980 and 1979	1980	1979
	<i>(In Thousands)</i>	
Source of Funds:		
Additions to reserve liabilities for future payments deducted from income but not expended	\$ 2,264,248	\$ 2,081,250
Excess of income over application of income before dividends to policyholders and additions to contingency reserves	1,551,957	1,370,230
From dispositions and adjustments in value of general account invested assets:		
Bonds, unaffiliated stocks and investment in subsidiaries (other than real estate subsidiaries)	8,762,279	9,280,107
Mortgage loans and real estate	992,089	1,051,087
Other—net (principally changes in various asset and liability accounts not requiring or providing funds and net realized capital gains on general account investments)	598,761	399,316
Total	\$14,169,334	\$14,181,990
Application of Funds:		
Dividends to policyholders as approved annually by the Board of Directors	\$ 1,072,758	\$ 1,136,273
By acquisition of general account invested assets:		
Bonds, unaffiliated stocks and investment in subsidiaries (other than real estate subsidiaries)	9,992,023	10,493,311
Mortgage loans and real estate	2,392,725	2,205,045
Net increase (decrease) in separate account assets	15,105	(119,890)
Net increase in other assets	696,723	467,251
Total	\$14,169,334	\$14,181,990

See accompanying Notes to Financial Statements.

Notes to Financial Statements

1. Accounting Policies

The Company's financial statements are prepared on the basis of accounting practices prescribed or permitted by the Insurance Department of the State of New York. 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 qualifying for amortization are stated at their amortized value, income bonds in good standing at cost, all other bonds at market value, preferred or guaranteed stocks at cost, unaffiliated common stocks at market value, investments in subsidiaries at equity in net assets, and mortgages at amortized indebtedness, all in accordance with the prescribed valuation procedures of the National Association of Insurance Commissioners.

Investment real estate includes joint ventures and real estate subsidiaries stated at equity in net assets and all other real estate stated at the lower of depreciated cost or market.

Other assets are valued in accordance with New York Insurance Law. Separate account assets, consisting primarily of equity securities, are stated at market value.

A mandatory securities valuation reserve (prescribed by the National Association of Insurance Commis-

sioners) 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 or, for permanent plans of individual life insurance sold after 1976, on the commissioner's reserve valuation method. The reserves are based on mortality, morbidity and interest rates permitted by the insurance law of the State of New York. Such reserves are sufficient to provide for contractual surrender values.

Contingency Reserves Since Metropolitan is a mutual company, its contingency reserves represent reserves held for the benefit of policyholders.

Revenues and Expenses Premium revenues are reported over the premium-paying period. Investment income is reported as earned. Expenses, including acquisition costs and federal income taxes, are charged to operations as incurred; there are no incurred expenses that are deferred for charges to future reporting periods. The reduced level of federal income tax expense for 1980 reflects the effect of certain reinsurance agreements.

2. Pension Plan

The Company and its subsidiaries have several Defined Benefit Pension Plans covering all eligible employees and sales representatives. The Company is both the sponsor and administrator of these plans and makes annual contributions equal to amounts accrued for pension expense. Total pension expenses amounted to \$62,249,000 in 1980 and \$51,956,000 in 1979. An additional \$15,600,000 was charged to the con-

tingency reserves in 1979 to supplement the funding of a 1980 increase in pension benefits for retired employees.

The plans were amended effective January 1, 1980, primarily to increase benefits to certain retired employees. These amendments increased the January 1, 1980, actuarial present value of accumulated plan benefits by approximately \$49,700,000. A comparison of accumulated plan benefits and plan net assets is presented below:

January 1	1980	1979
(Thousands)		
Actuarial present value of accumulated plan benefits:		
Vested	\$1,401,149	\$1,280,992
Nonvested	16,876	15,172
	\$1,418,025	\$1,296,164
Net assets available for benefits	\$1,443,068	\$1,348,681

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 5½ percent for both 1980 and 1979. The assumed rate of return is, however, only one of several factors used in determining the actuarial present value.

3. Mortgage Loans on Joint Ventures

Some of the Company's investments in real estate are directly owned and operated, some are owned jointly with venture partners and operated by the partners, and some are owned directly by Metropolitan's real estate subsidiaries. Many joint ventures have mortgage loans with the Company. At December 31, 1980, the

Auditor's Opinion

Statement of Management's Responsibility

amortized value of such mortgages was approximately \$1,538,579,000; at December 31, 1979, the amount was \$1,175,036,000.

4. Capital Gains

Net capital gains in 1980 and 1979 consisted principally of unrealized gains that were due to changes in the market value of common stocks. Common stocks must be stated at market value pursuant to practices prescribed by insurance regulatory authorities.

Net unrealized and realized capital gains on investments in separate accounts included in income are offset by increases to reserve liabilities. As a result, such capital gains have no effect on contingency reserves.

Net unrealized and realized capital gains on general account investments are included in contingency reserves to the extent they exceed amounts added to or deducted from the investment valuation reserves.

5. Reinsurance

During 1980 Metropolitan entered into certain reinsurance agreements. Such agreements involved its personal life insurance, personal annuity and group annuity business, and affected certain items appearing in the Statements of Operations and Contingency Reserves. Those items significantly affected, adjusted to exclude the impacts of these agreements, are:

	Amount in Thousands
Premiums and annuity considerations	\$6,171,675
Benefit payments to policyholders and beneficiaries (other than dividends)	4,642,957
Other applications—net	(21,709)

Metropolitan Life Insurance Company:

We have examined the balance sheets of Metropolitan Life Insurance Company as of December 31, 1980 and 1979 and the related statements of operations and contingency reserves and of source and application of funds for the years then ended. Our examinations were 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, 1980 and 1979 and the results of its operations and the source and application of its funds 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.

Deloitte Haskins & Sells

New York, New York
February 17, 1981

The financial statements included in Metropolitan's Annual Report were prepared by the Company in conformity with accounting practices prescribed or permitted by insurance regulatory authorities and management feels they fairly present the financial position of Metropolitan. The financial information developed from corporate records is subject to audit by independent accounting firms retained by the Company and the statutory policy reserves are reviewed and certified by the Insurance Department of the State of New York. Metropolitan is committed to maintaining strong systems of internal financial control over all Company operations. The operation of the Company for the benefit of its policyholders requires that the highest level of financial integrity be maintained and the Company commitment to strong internal financial controls is an aspect of this requirement. Based on reviews of Company operating procedures conducted by both Metropolitan's internal auditors and the outside accounting firms retained by the Company, it is management's opinion that its existing internal financial controls are adequate. The independent accounting firms retained by Metropolitan are selected by the Auditing Committee of the Board of Directors, which consists solely of outside directors. This committee of the Board considers the scope of the examinations by the outside accounting firms and discusses any findings they might wish to report. The Auditing Committee also receives reports which provide the committee with a knowledge of the financial control work being performed by the internal accountants and auditors, as well as assurance that our accounting records properly reflect the Company's financial position.

Metropolitan Officers

(as of December 31, 1980)

Corporate Executive Office

Richard R. Shinn

Chairman and Chief Executive Officer

John J. Creedon

President

Robert G. Schwartz

Vice-Chairman of the Board

Philip Briggs

Executive Vice-President

Edwin B. Lancaster

Executive Vice-President

Jean-Pierre Maurer

Executive Vice-President

Senior Corporate Officers

Charles N. Armstrong

President-Canadian Operations

Canadian Head Office

Alexander J. Baillie

Senior Vice-President

Richard F. Barry

Senior Vice-President

Human Resources

Warren I. Beckwith

Senior Vice-President

Group Insurance

V. Stanley Benfell

Senior Vice-President

Western Head Office

Stephen T. Bow

Senior Vice-President

Midwestern Head Office

Edward H. Colton

Vice-President and Controller

Richard J. Conlan

Senior Vice-President

Electronic Installations

Glen E. Coverdale

Senior Vice-President

Real Estate Investments

George M. Crandles

Senior Vice-President

Corporate Investments

Robert J. Crimmins

Senior Vice-President

Atlantic Head Office

Gordon G. Dinsmore

Senior Vice-President

Personal Insurance Administration

Richard A. Edwards

Senior Vice-President

Government and Industry Relations

Paul S. Entmacher, M.D.

Vice-President and Chief

Medical Director

James R. Flynn

Senior Vice-President

Great Lakes Head Office

Samuel F. Fortunato

President and Chief Executive Officer

Metropolitan Property and Liability

Insurance Company

Matthew W. Galbraith

Senior Vice-President

New England Head Office

Peter R. Genereaux

President

DTSS Incorporated

Joseph J. Guiffre

Senior Vice-President

Eastern Head Office

Peter S. Hadley

Senior Vice-President

Corporate Investments

Robert E. Hayes

Senior Vice-President

Group National Accounts

Charles C. Hewitt, Jr.

President

Metropolitan Reinsurance Company

Harry P. Kamen

Vice-President, Secretary

and Associate General Counsel

J. Austin Lyons, Jr.

Senior Vice-President and General

Counsel

Rudolph Michaud

Senior Vice-President

Southeastern Head Office

John D. Moynahan, Jr.

Senior Vice-President

Group Life and Health Operations

Stewart G. Nagler

Senior Vice-President

Group Pensions

Donald A. Odell

Senior Vice-President

Central Head Office

William G. Poortvliet

Senior Vice-President and Chief

Actuary

Colby Tibbetts

Senior Vice-President

Mideastern Head Office

George B. Trotta

Senior Vice-President

Personal Insurance Marketing

Arthur G. Typermass

Vice-President and Treasurer

Board of Directors

(as of December 31, 1980)

Ray C. Adam

New York, N.Y., Chairman and Chief Executive Officer, NL Industries, Inc.

Joan Ganz Cooney

New York, N.Y., President, Children's Television Workshop

Theodore Cooper, M.D.

Kalamazoo, Mich., Executive Vice-President, The Upjohn Company

John J. Creedon

New York, N.Y., President, Metropolitan Life Insurance Company

William J. De Lancey

Cleveland, Ohio, Chairman and Chief Executive Officer, Republic Steel Corporation

Lewis W. Foy

Bethlehem, Pa.

G. Keith Funston

Greenwich, Conn.

John D. Harper

Pittsburgh, Pa.

James R. Houghton

Corning, N.Y., Vice-Chairman of the Board, Corning Glass Works

George E. Johnson

Chicago, Ill., President, Johnson Products Co., Inc.

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.

W. Earle McLaughlin

Montreal, Que., Canada

Albert L. Nickerson

New York, N.Y.

Martha E. Peterson

Beloit, Wis., President, Beloit College

John B. M. Place

San Francisco, Calif., Chairman of the Board, Crocker National Bank

L. Edmund Rast

Atlanta, Ga., President, Southern Bell Telephone and Telegraph Company

John P. Roberts

Toronto, Ont., Canada, Stikeman, Elliott, Roberts & Bowman

Robert G. Schwartz

New York, N.Y., Vice-Chairman of the Board, Metropolitan Life Insurance Company

Richard R. Shinn

New York, N.Y., Chairman of the Board and Chief Executive Officer, Metropolitan Life Insurance Company

Donald B. Smiley

New York, N.Y., Chairman of the Finance Committee, R. H. Macy & Co., Inc.

William S. Sneath

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

W. Allen Wallis

Rochester, N.Y., Chancellor, The University of Rochester

Changes in Our Board

The Board welcomed three distinguished new members in 1980: John J. Creedon, President of Metropolitan; Robert G. Schwartz, Vice-Chairman of the Board of Metropolitan; and Joan Ganz Cooney, President of the Children's Television Workshop, New York, N.Y.

George P. Jenkins, Chairman of the Board, retired after a 42-year career with Metropolitan and 16 years of distinguished and devoted service as a member of the Board. His outstanding career, during which he directed the investment activities of one of the largest single continuing sources of private capital in the world, was characterized by extraordinary devotion to Metropolitan, its policyholders and the life insurance industry.

Besides meeting monthly as a group to review Company business, the members of the Board of Directors also devote their time and talents to the Board's six standing committees.

The Auditing Committee, made up of outside directors, supervises accounting and auditing controls over cash, securities, receipts, disbursements and other financial transactions. Chairman: Charles F. Luce

The Corporate Social Responsibility

Committee supervises the Company's charitable contributions, public benefit programs, compliance with policies on ethical business conduct and other corporate responsibility matters. Chairman: Martha E. Peterson

The Executive Committee exercises, to the extent permitted by law, all powers of the Board of Directors during intervals between Board meetings. Chairman: Richard R. Shinn

The Finance Committee has general supervision of corporate assets including the purchase and sale of securities, real estate, real estate bonds, notes and mortgages and other investments, both original and extensions or modifications of investments. Chairman: Robert G. Schwartz

The Marketing Committee oversees the marketing operations of the Company. Chairman: John D. Harper

The Nominating and Compensation Committee, comprised of outside directors, oversees compensation and personnel administration and the activities of the Company in the interest of the health, welfare and safety of its employees. In ad-

dition, it makes recommendations on the filling of Board vacancies and nominates persons for election or appointment to positions of Senior Vice-President and above. Chairman: John B. M. Place

In Memoriam, Walter R. Williams, Jr., died on November 3, 1980. Mr. Williams had been a member of Metropolitan's Board of Directors for 21 years at the time of his death, and left a record of loyal and dedicated service.

Election of Directors

Metropolitan Life Insurance Company policyholders and contractholders are entitled to participate in the election of directors held on the second Tuesday in April each year at the home office in New York City.

Policyholders and contractholders with a policy or contract in-force for at least one year are eligible to vote either in person or by mail. Each policyholder and contractholder is entitled to one vote only, regardless of the number or amount of policies or contracts held.

For a ballot or further information, please contact your local Metropolitan office or write to the Secretary of the Company at One Madison Avenue, New York, N.Y. 10010.



Metropolitan
Life Insurance Company

For additional copies of this report,
please write to
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Metropolitan Life Insurance Company
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New York, N.Y. 10010