

# Metropolitan Annual Report 1981





Cover: Metropolitan's group dental plans help keep teeth healthy for more than five million insured persons and their families.

**T**he Metropolitan Life Insurance Company family encompasses several organizations providing life, health, auto and homeowner's insurance, retirement plans and related services. To reflect this broad range, the Company will now use

"Metropolitan Insurance Companies" as its corporate signature. As a mutual life insurance company, Metropolitan has no stockholders and is operated for the benefit of its policyholders. They elect its Board of Directors and share in its business results through 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\*

### ***Reinsurance***

## ***Metropolitan's Operating Subsidiaries***

Metropolitan Property and Liability Insurance Company (MPL), established in 1972, now provides automobile and homeowner's insurance in 45 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.

\*Currently available in 45 states

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# Highlights of 1981

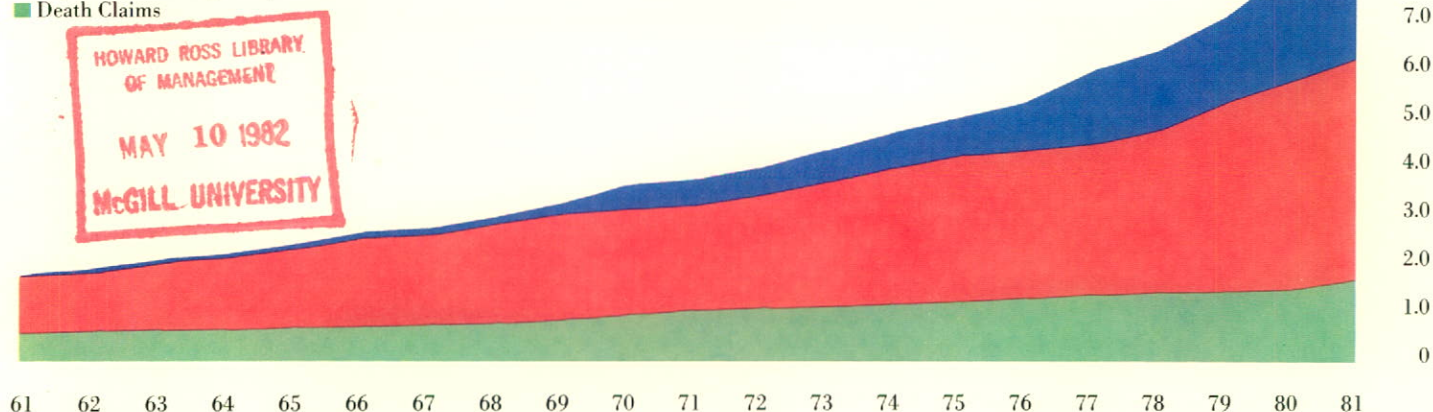
Year Ended December 31	1981	1980
	(In Thousands)	
Payments to Policyholders and Beneficiaries, including dividends	\$ 6,162,765	\$ 5,715,715
Payments Under Service and Other Agreements	3,251,601	2,397,917
Dividends	1,204,915	1,072,758
To individual policyholders	1,003,029	912,561
To group policyholders	201,886	160,197
Total of Income and Additions to Deposit Funds	10,941,338	10,301,331
Income	9,297,338	9,812,331
Premiums and annuity considerations	5,431,429	6,171,675
Net investment income	3,865,909	3,640,656
Additions to Deposit Funds	1,644,000	489,000
Company Assets	51,757,845	48,309,771
Net Earned Rate on the Portfolio	8.44%	8.08%
Life Insurance In-Force	393,590,726	349,192,320
Personal life insurance in-force	122,409,028	119,584,630
Group life insurance in-force	271,181,698	229,607,690
Life Insurance Sales	52,641,263	32,143,707
Personal life insurance sales	16,109,653	15,641,940
Group life insurance sales	36,531,610	16,501,767
New Annuity Considerations and Deposit Funds	1,909,697	1,141,797
Considerations for individual annuities	75,337	63,085
Considerations and deposit funds for group annuities	1,834,360	1,078,712
Health Insurance Sales	486,011	382,149
To individual policyholders	15,794	16,595
To group policyholders†	470,217	365,554
Automobile and Homeowner's Insurance Sales	85,655	91,173

†Includes amounts representing benefit payments of \$268,974,000 in 1981 and \$188,664,000 in 1980 for cases administered on an excess risk basis or noninsured plans administered by Metropolitan.

## Payments to Policyholders, Beneficiaries and Other Recipients

(in billions of dollars)

- Payments Under Service and Other Agreements
- Payments to Living Policyholders
- Death Claims



Note: Certain premium and policy payment data have been adjusted in accordance with Note 5, page 29.

**T**he year 1981 marked a period of economic uncertainty for our nation and our industry. The traditional lines of competition for protection and savings dollars changed dramatically, representing an unprecedented array of challenges to the insurance industry.

I am pleased to report that Metropolitan completed 1981 with solid achievements and new records. During the year, the Company reached a milestone, becoming the first life insurance company to pay out a cumulative total of \$100 billion in benefits to policyholders and beneficiaries—the result of more than a century of meeting the needs of people. In 1981 we built on this performance. Among the highlights:

- Metropolitan paid more than \$9 billion in benefits to policyholders, beneficiaries, and recipients under service and other agreements.
- Total life insurance in-force reached almost \$400 billion, an all-time high.
- Personal life sales were \$16 billion, with whole life policies accounting for more than 90 percent of total premiums.
- Group life insurance sales were \$36.5 billion, an all-time high and a 121 percent increase over 1980.
- Group pension sales of \$1.8 billion almost doubled 1980's \$1 billion.
- Auto and homeowner's insurance premiums reached \$296 million—a clear indication of Metropolitan's emergence as a multiline insurer.
- Metropolitan's assets grew a record \$3.5 billion to \$51.8 billion. Return on invested assets increased to 8.44 percent, up 36 basis points over 1980. These results demonstrate that policyholder revenues are being used effectively to promote business growth and productivity, agricultural development and job opportunities—while lowering the overall cost of insurance protection.

Metropolitan introduced new products in 1981, while refining some of our traditional coverages to better serve the changing needs of our policyholders. The immediate success of our new Whole Life PLUS policy, which provides the security of cash value life insurance along with dramatically lower premiums, placed Metropolitan in a highly competitive position.

The introduction of Metromatic—a new marketing approach featuring a series of insurance and savings products offered at the worksite through the convenience of payroll deduction—brought Metropolitan protection to a new and growing market.

The Company entered 1982 with products and asset management services designed to enable individuals and employers to take full advantage of new tax reform legislation.

Innovation and flexibility characterized our investment activities in 1981. During this period of significant change in market conditions, Metropolitan maintained a consistently high rate of return within our criteria of soundness and public interest. While balancing maturities and yields, our mortgage portfolio achieved further growth. We entered into partnerships with established developers to continue our direct involvement in real estate projects.

Cash management remained a priority, and we met policy loans and related demands without resorting to borrowing funds.

High-quality service to our policyholders also continued as a priority objective in 1981. Metropolitan became the first insurance company to install a satellite communications system to speed customer service. We also introduced technology to track accuracy and to assure quality control of various service transactions. We accelerated our branch office system to bring field sales and service functions closer to policyholders.

Inflation, with its effects on interest rates and personal savings, remains a serious national problem. For the first time in years,



*Richard R. Shinn, Chairman and Chief Executive Officer, flanked by President John J. Creedon (left) and Vice-Chairman Robert G. Schwartz.*

the United States now has an integrated economic and tax program. It contains four major elements: budget restraint; tax reforms to encourage savings and investment; stable monetary policy and less regulation. While some may differ over specifics, there is general agreement that this program represents an approach long recommended by the business community. We believe it should now be given enough time to work.

Inflation has a particular impact on retired people, further reducing the purchasing power of fixed income benefits. Metropolitan has long believed that three sources—personal savings, income from private pension plans and Social Security benefits—are necessary to help provide for our retired population. During the past year, therefore, we continued to support economic initiatives designed to promote the long-term savings and security needs of the country and its elderly.

Metropolitan—and others—will face intense competition as the barriers between providers of financial services continue to come down. Inflation and high interest rates have further heightened concerns about personal finance. The key to continued success will be our ability to anticipate and meet the changing needs of the marketplace and society.

Metropolitan's tradition of leadership and service has set an industrywide standard. Our tradition is a living one, a continuing concern for policyholder and public needs. In the years to come, Metropolitan will continue to grow and change. Growth and renewal are major components of our strategic plan; so, too, is our commitment to service—a combination designed to ensure Metropolitan's leadership in 1982 and beyond.



*Richard R. Shinn*

Richard R. Shinn  
Chairman and Chief Executive Officer



*Quality Service: For more than a century, Metropolitan has been meeting the needs of millions of individuals and families in the United States and Canada. During this period, Metropolitan has been changing to meet those needs, and today we're changing faster than ever.*



**M**etropolitan is changing rapidly. The current economy demands it, and so does the marketplace. We are anticipating and responding promptly to the needs of our policyholders across the continent. Metropolitan recognizes that premium revenues must be used effectively so policyholders receive quality service at the lowest possible cost. While providing the guarantees and security of insurance protection, Metropolitan premium dollars also generate investment capital to modernize equipment, build plants and create jobs, as well as to fund research in advanced technology and pay administrative expenses. The better use Metropolitan makes of those premium dollars,

the more policyholders benefit—by lower premiums, more coverage and higher dividends.

For Metropolitan, this means developing products that meet our policyholders' changing needs, quickly processing benefit claims, carefully managing expenses, and assessing promising investment opportunities—that is, providing quality service.

**The People Factor:** Metropolitan touches people at crucial and sensitive times in their lives—when they are ill, when they become disabled, when they retire, when their loved ones die. As a company, we have a very special obligation: to be there when our policyholders need us most.

Metropolitan's more than 44,000



*Metropolitan's new high-speed data communications system beams information off a satellite to Company offices throughout North America.*



employees throughout the United States and Canada are the key to meeting that obligation. In 1981 they processed more than \$9 billion in payments to policyholders, beneficiaries and other recipients quickly and accurately. They managed assets of \$51.8 billion, with outstanding results. They also serviced more than \$393 billion of insurance in-force.

To provide quality service, Metropolitan has continuing programs to see that employees are well trained, highly motivated and supported by the systems and equipment they need to do their jobs effectively.

In 1981 Metropolitan introduced a new and extensive program in supervision, a regional training program, and new courses in

production controls and time management.

More than 5,000 Metropolitan employees participated in formal training programs during the year. Many more were involved in self-development activities. These programs supplement daily Companywide on-the-job training.

#### ***The Technological Revolution:***

Metropolitan is a technological leader, having installed the first high-speed satellite data communications system in the insurance industry. We have been in the forefront of technological development since 1954 when we were the first in the insurance industry to develop a major computer system.

Today, we have 5,000 on-line com-





puter terminals. Computer centers in Greenville, S.C., Scranton, Pa., Wichita, Kans., Ottawa, Canada, and New York City handle more than a million transactions each working day.

These electronic installations improve the quality and speed of information processing, while controlling costs. In addition, they make possible the total integration of customer service functions—from data input to claims payment.

Metropolitan's new system for processing group dental claims illustrates the effectiveness of our technological capability. During 1981, the first full year of operation, this system processed more than three million claims. Processing time was cut substantially,

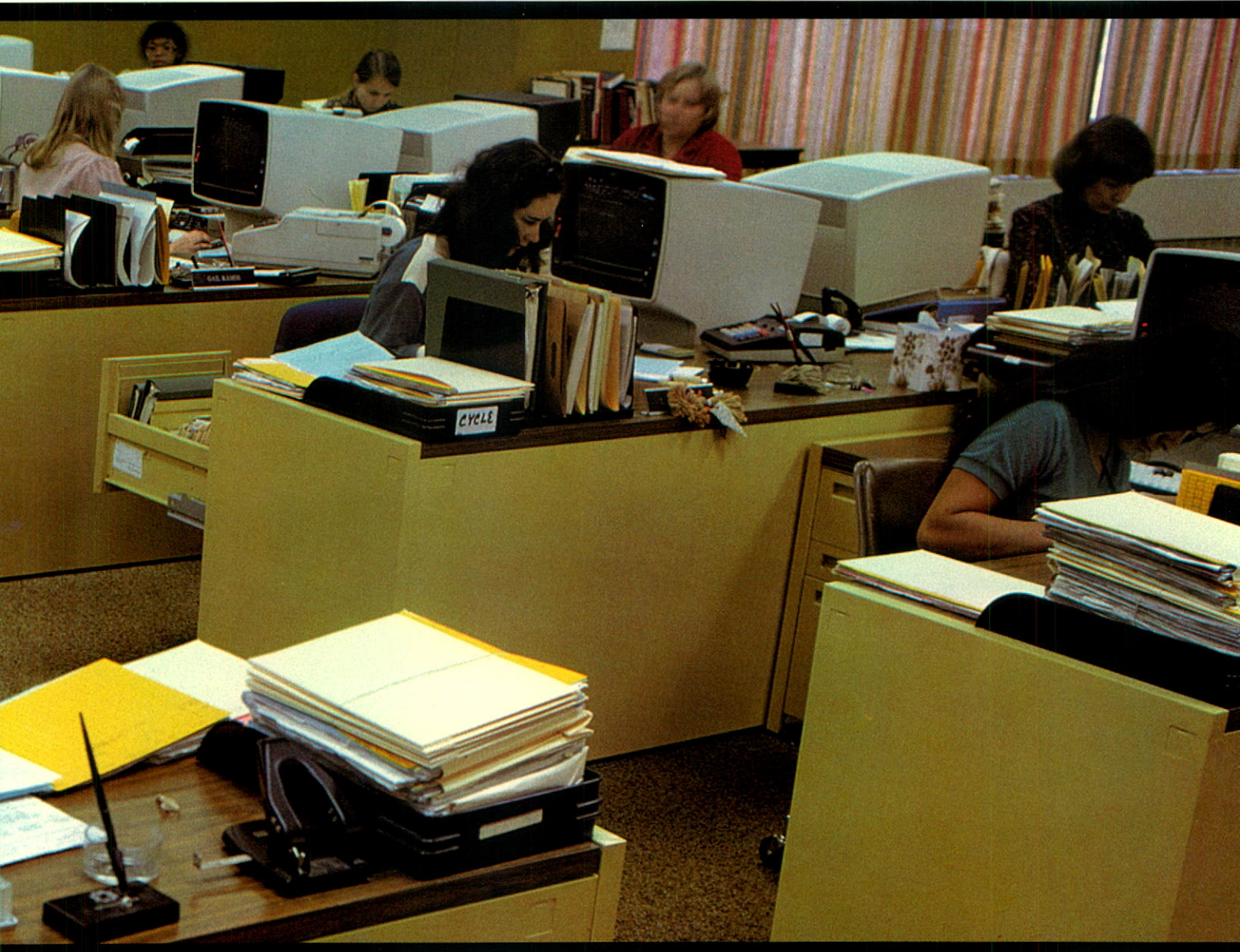
with most claims paid in four days, and some in only one. The system eliminates considerable paperwork and enables Metropolitan to process more claims at a lower unit cost.

Building on these measurable improvements, the dental claims system will be adapted for faster medical claims processing in 1982. Processing claims faster, more cheaply and accurately—another way Metropolitan provides quality service.

**Quality Assurance:** Quality service means bringing products and services closer to policyholders. During 1981, Metropolitan initiated a branch office system to expand its personal insurance offices throughout North America. Other recent moves include the open-



*Putting technology to work for people. Instant access to computerized information means better and faster service.*



ing of real estate, corporate and agricultural investment offices in key locations.

Through decentralization, Metropolitan moves its operations nearer to customers and regional markets. It's part of our plan to emphasize quality service—a hallmark of the Metropolitan tradition.

**Planning for Tomorrow:** With our 1981 accomplishments, Metropolitan is eager for the future, seeking new techniques to improve service while reducing costs. We will experiment with a network of computer terminals in district offices, to enhance the service and claims processing capabilities of our local offices.

The huge electronic data base

developed over the last 28 years is evolving into a highly flexible management information system, providing hard data and projections—all the information and support that management needs. Electronic mail systems will streamline and speed information from one location to another.

Our goal—and our plan—is to make Metropolitan even more efficient, providing the highest quality service at the lowest possible cost.



*Investments: Flexibility and innovation were the watchwords for Metropolitan's investment strategy during 1981—finding sound investments that help maximize return in a rapidly changing environment.*



A year characterized by high levels of inflation, volatile interest rates and increased competition, 1981 presented an immense challenge. Metropolitan investment specialists proved equal to that challenge, finding opportunities to strengthen Metropolitan's overall portfolio. In 1981 Metropolitan placed a record \$6 billion in new investments. Our mission: to produce the highest possible return within basic principles of soundness, liquidity and the public interest.

A variety of investment vehicles were used. Bonds provided a reliable source of income, stocks created opportunities for capital appreciation, and real estate investments supplied both income and capital appreciation

through equity interests. Short-term investments provided both flexibility and liquidity and made a significant contribution to total yield results.

**Real Estate Investments:** Real estate continued to play an expanded role in Metropolitan's investment strategy during 1981. Real estate investments, including mortgages, totaled \$15 billion at the end of the year, or almost 30 percent of total assets. We focused on acquiring equity and mortgage positions in quality commercial real estate, funding some \$2 billion during 1981, and committing an additional \$2 billion for future funding.

Our strategy involves mortgages and equity positions. Mortgage lending produces a



*In a new partnership with Metropolitan Structures, the Company is developing office buildings, hotels and apartments in downtown Chicago.*



consistent rate of return, while equity provides an inflation hedge and opportunities for gains not normally available through fixed rate mortgages.

Metropolitan's real estate partnership program, pioneered in 1968, has been the primary vehicle for securing ownership in real estate. With our national network of real estate officers working with prominent developers, our portfolio now contains 139 such ventures, up 38 percent from 1980's total of 101. They include office buildings, hotels, industrial parks and other commercial properties.

In some cases, we are prepurchasing commercial real estate, becoming the sole owner upon completion of construction. One

such project, Metropolitan Plaza in suburban Houston, will encompass some 300,000 square feet of office and commercial space.

We are also developing some properties ourselves. In suburban Tulsa, for example, our master development plan calls for an office/hotel complex of over three million square feet. At completion, we expect to have invested over \$400 million.

Our most ambitious effort in real estate investment to date is our new partnership with Metropolitan Structures, one of the nation's most experienced commercial urban real estate developers. This step represented a first for the life insurance industry.

Metropolitan Structures, a national





developer since 1959, has completed commercial and residential properties valued at more than \$1 billion. One of these projects is Illinois Center in Chicago, the nation's largest mixed-use development. Illinois Center features 10 completed structures and ultimately will consist of 17 million square feet of office space, 1.3 million additional square feet of retail space, 8,000 residential units and 5,000 hotel rooms. Metropolitan Structures has also developed properties in Montreal, Baltimore, Detroit and Newark.

This transaction represents a dramatic step forward in Metropolitan's investment capabilities. The new partnership provides a means of fitting individual projects into

an overall strategy.

Metropolitan will continue to emphasize innovative approaches for investing in quality commercial properties. By combining equity positions with mortgage lending, Metropolitan can continue to couple dependable high income with long-term capital appreciation.

**Agricultural Investments:** Farmers and ranchers have always sought financing for such needs as land and buildings—and Metropolitan has been there to provide it for over 100 years.

During 1981, we made \$280 million in new agricultural mortgage loans, bringing the portfolio total to approximately



*Investing to feed America. These white-faced cattle graze on land financed by loans from Metropolitan.*



\$1.8 billion.

Metropolitan has been able to maintain a consistent track record by developing creative financing techniques that respond to the specialized needs of agricultural operations. Because of this long record of reliability, our agricultural borrowers have worked closely with Metropolitan to contend with inflation and volatile interest rates. We have been able, for example, to introduce renegotiable rate contracts that feature increased rate sensitivity. At year-end 1981, the agricultural mortgage portfolio rate exceeded 10 percent for the first time in our history, an increase of almost one full percentage point over 1980.

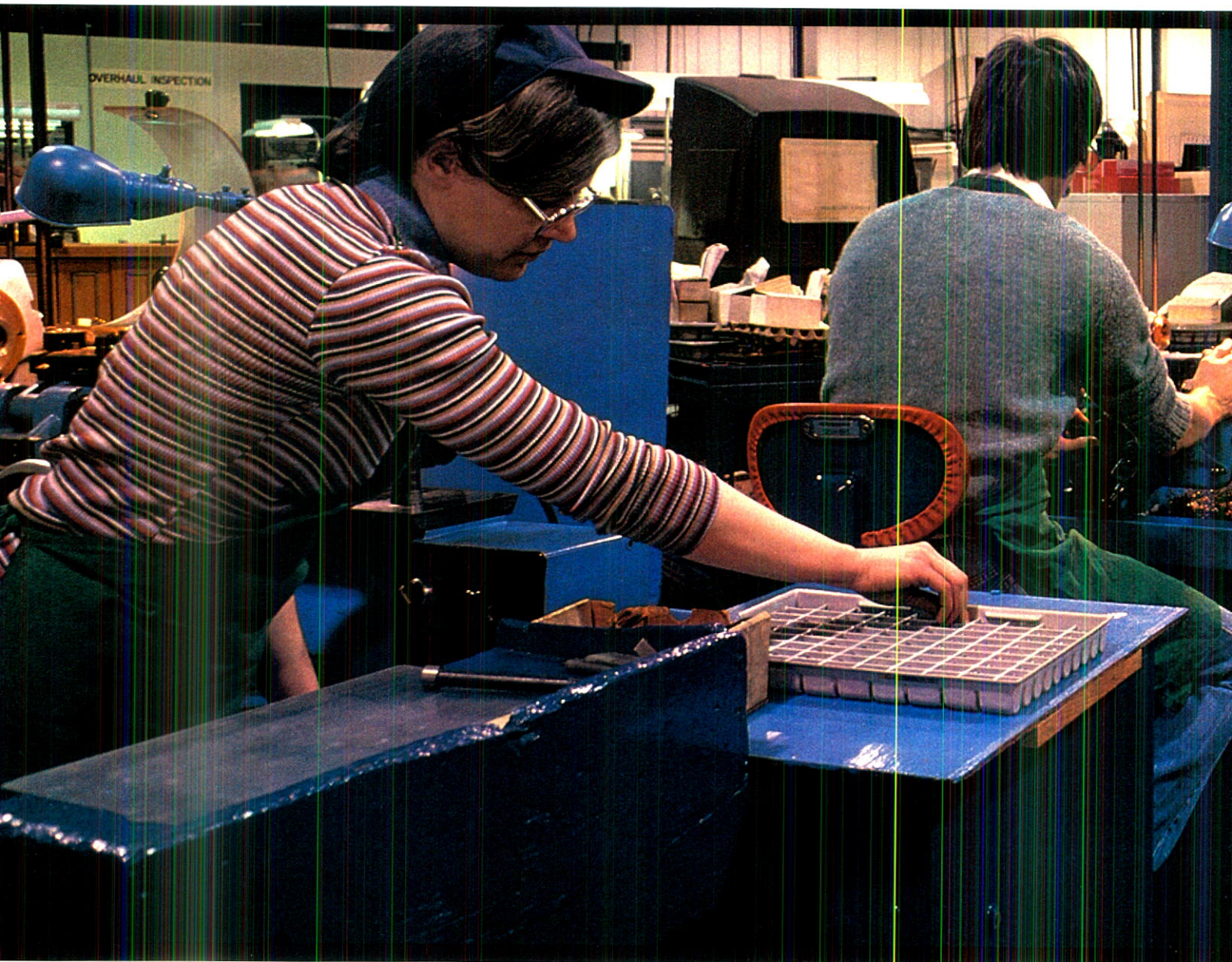
**Corporate Investments:** Metro-

politan has long played a major role in the private placement of bonds. Recently, we have become a significant purchaser of bonds and other fixed income securities in the public marketplace. During 1981, Metropolitan purchased \$3.5 billion in bonds and preferred stocks, in private and public markets, an increase of \$1.4 billion over 1980.

Large amounts of pension fund deposits in 1981 enabled Metropolitan to play an important role in corporate bond and preferred stock investment activities.

Metropolitan's 1981 investment activities continued to be governed by the strategy of reducing the average maturity of corporate lending commitments, giving us a





stronger portfolio in a period of high inflation and uncertainty over future interest rates.

During the adverse equity market of 1981, the rate of return on Metropolitan's common stock portfolio outperformed the corresponding Dow-Jones Industrial Index and Standard & Poor's 500 Stock Price Index.

Metropolitan continued to be a major factor in Canadian markets, investing nearly \$200 million in Canadian bonds, equities and real estate.

**Specialized Investments:** In recent years Metropolitan has responded to unprecedented financial conditions by employing new strategies.

For example, we have shifted our

portfolio toward investments producing capital gains. To improve future yields, we are making equity investments in high technology start-up companies. These investments enable Metropolitan to participate firsthand in advances in such fields as computer science, medical instrumentation, robotics, synthetic fuels and genetic engineering. With these investments, Metropolitan is helping the economy by supporting the emergence of new technology and competition in world markets, while improving our overall returns.

**Looking Ahead:** The return on our investments is a major influence on the prices of Metropolitan's insurance products. Since Metropolitan is a mutual company, increases in



*Metropolitan investments help create jobs—and space age technology—by providing funds for more productive facilities.*



investment income are reflected in lower premiums and higher dividends for policyholders, thereby reducing the cost of protection.

Of particular importance in the years to come will be the ability to implement investment decisions quickly and cost-effectively. Through strategic placement of investment offices throughout both the United States and Canada, plus expanded information systems and closer contacts with key markets, we are well situated to accomplish our objectives.

Our strategy of coupling equity investments with innovative lending techniques and diversified holdings positions us strongly for the coming years. Metropolitan

will be able to maintain consistent returns while protecting our long-term investments through ownership. We will also be able to maintain a strong portfolio flexible enough to change with the times and still remain liquid enough to handle any low periods.

Our staff, market network, experience and resources mean Metropolitan investments will continue to deliver competitive yields—while maintaining the safety we require to protect our policyholders.



*Corporate Responsibility: Metropolitan believes that it is our obligation—and good business—to operate in a manner that serves and contributes to the growth, progress, and economic and social stability of society.*



Since its early years, Metropolitan has been involved in the communities where it does business. As a corporate citizen, we maintain a comprehensive contributions program, distribute health and safety information, encourage employee voluntarism, support minority businesses, promote consumer awareness, practice equal employment opportunity, and lend our skills and expertise to government and nonprofit organizations.

***Investing in Communities:*** We believe that one way to solve the problems of our communities is to forge working partnerships between the public and private sectors. Metropolitan's participation in

partnerships sponsored by the Neighborhood Housing Services (NHS) and the Local Initiatives Support Corporation (LISC) offers two examples of how Metropolitan is helping residents revitalize their neighborhoods by providing funds and managerial and technical expertise. An active partner from the start in the New York City NHS, Metropolitan is also participating, together with other financial institutions, government and residents, in programs in the Southwest and Midwest.

Metropolitan's public service Management Assistance Program is another example of our community investment efforts. Under this program, technical and managerial employees serve on loan to nonprofit organiza-



*Metropolitan is involved with community organizations like Neighborhood Housing Services, which helps revitalize neighborhoods across the country.*



tions and public agencies. During 1981, Metropolitan employees participating in this program handled assignments ranging from streamlining computerized accounts receivable systems to implementing programs for subway car maintenance.

Metropolitan also maintains an employee voluntarism program with a full-time coordinator. During the year, thousands of Metropolitan employees served on local community boards, participated in local recreational and educational programs, and helped the handicapped and aged, among other worthwhile activities.

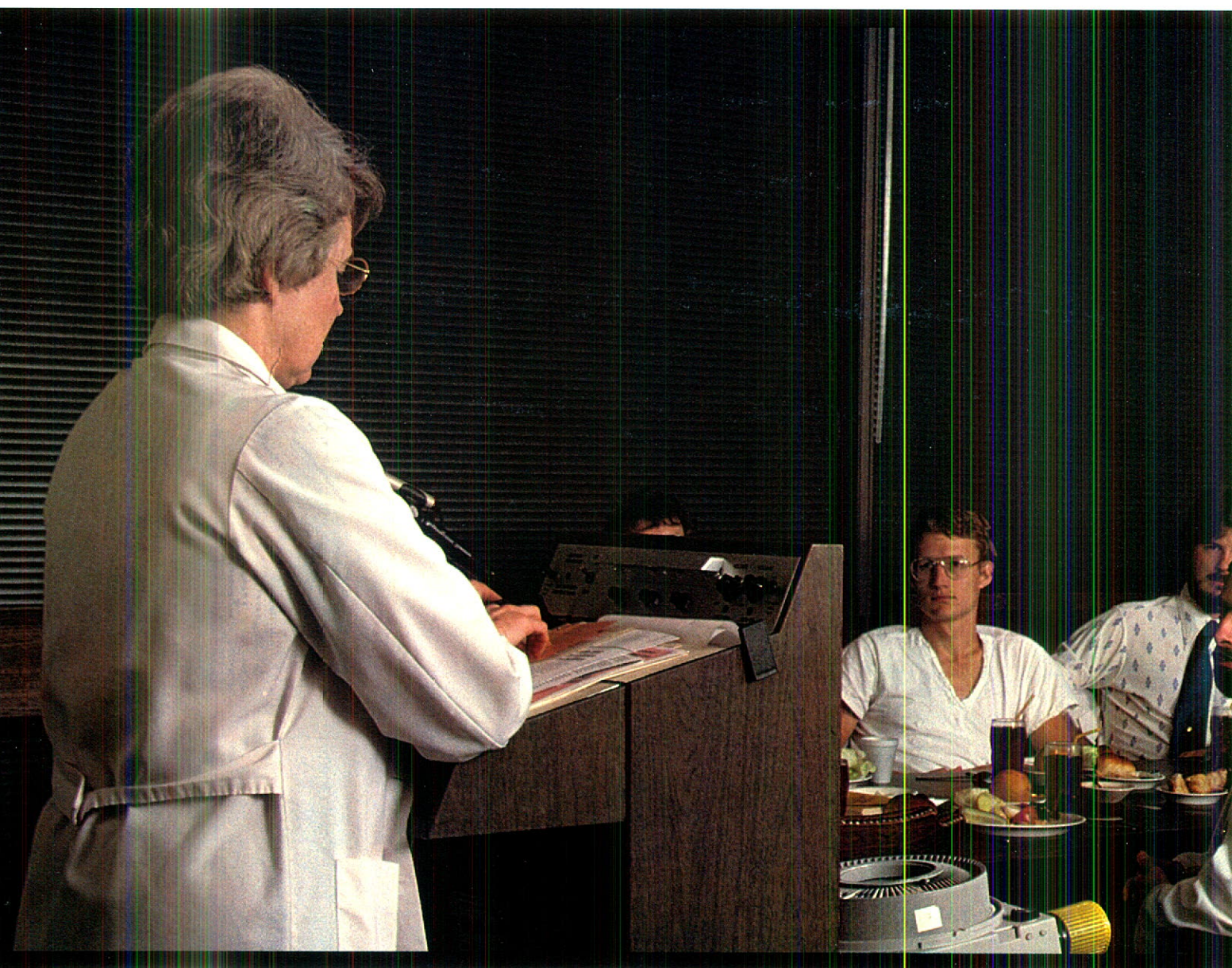
**Health and Safety:** For more than 70 years, Metropolitan has been the nation's

largest private organization devoted to public health and safety education. Last year the Company's nutrition education series, "Eat Well, Be Well," was viewed by millions on public television.

Health promotion at the worksite was another important priority during 1981. A nationwide program to educate employees on personal health awareness was extended to Metropolitan group customers through the introduction of tailored programs.

Metropolitan's concern was also reaffirmed with the publication of new pamphlets on child safety, immunization and backaches as part of its "Stay Well" series. Additionally, two public service advertising





campaigns drew millions of requests for information on first aid techniques and the early warning signs of heart attacks. Working with famed race car driver Janet Guthrie, Metropolitan provided safe driving tips to customers and community groups.

**Youth Employment:** Jobs, especially for minority youth and the structurally unemployed, are important to Metropolitan as an employer and corporate citizen.

In 1981 Metropolitan took an active part in the New York City Partnership's Summer Jobs for Youth program. The program placed nearly 10,000 young people in jobs with New York City companies. Metropolitan provided a special orientation to the young

people it hired and gave leadership and staff support to the citywide effort.

Other youth employment efforts include programs to help ease the transition from school to work, improve the match between education and job training, and create jobs through investments in business.

Metropolitan is also helping bring minorities and women into the economic mainstream by working with organizations such as the National Urban League, Opportunities Industrialization Centers of America, and the Women Business Owners of New York.

**Contributions:** Financial assistance, primarily through the Metropolitan Life



*Three universities received grants from Metropolitan to develop nutrition education programs as part of total contributions of \$1.2 million in support of health-related activities.*



Foundation, reached \$4.5 million in 1981, up 36 percent from 1980. Metropolitan continued to support civic, cultural and educational activities at a time when the private sector is being asked to increase its financial commitment to society. Civic contributions included more than \$1 million to some 600 United Ways across the United States and Canada.

Educational support emphasized gifts for minority education, health and business study and our employee Matching Gift program. Metropolitan also supported economic research through grants to the Brookings Institution, the American Enterprise Institute, the Committee for Economic Development and the National Bureau of

Economic Research.

Cultural contributions came to more than \$500,000 and ranged from support of major cultural centers to local arts councils and little theaters around the country. Metropolitan also helped bring Shakespeare to local communities through the third season of "The Shakespeare Plays" on public television and "Shakespeare: The Globe and The World," a traveling exhibit.



*Insurance Products and Services: This year, Metropolitan really gave the insurance industry something to think about. Never before had Metropolitan introduced as many new products and services—until now.*



**F**or Metropolitan's growing and diverse insurance operations, 1981 featured strong sales results as well as major product and service accomplishments. Total sales exceeded \$50 billion. In addition, the Company introduced a variety of programs that met the needs of our markets for new and flexible forms of insurance protection and retirement benefits.

***A Plus for Personal Insurance:***

Metropolitan's personal life insurance sales in 1981 showed continued growth. Personal life insurance sales during the year totaled \$16 billion. New personal life premiums were \$218 million.

Total premium issued for all

personal lines—life, health, annuities, homeowner's and auto—and employee benefit plans reached \$431 million, a new Metropolitan record.

Personal life insurance in-force increased to \$122.4 billion. In-force premiums for personal life were \$2.1 billion, for personal annuities \$184 million, and \$90 million for personal health.

Significantly, the average face amount of Metropolitan personal life insurance policies issued continued to rise, up 11.7 percent from 1980. Cash value life sales accounted for some 90 percent of all new personal life insurance premiums, a gratifying result in view of insurance industry



*Metropolitan meets the lifetime needs of families through life and health insurance, retirement plans, and auto and homeowner protection.*



experience—particularly the strong trend toward term and term-related products and away from cash value policies.

**Whole Life PLUS:** The personal insurance story of the year was the introduction in April of Metropolitan's new Whole Life PLUS policy. Whole Life PLUS combines the benefits of traditional cash value life insurance with a dramatically lower premium schedule.

Whole Life PLUS is offered in a minimum amount of \$25,000, with increases available in increments of \$5,000. Its premiums placed Metropolitan in a leadership position in terms of cost. Optional riders provided additional flexibility through cost-of-living and return of cash value features. The

net effect of the new product: nearly one-third more insurance protection per premium dollar than before.

Whole Life PLUS accounted for fully a third of all new personal life policies sold since its introduction, 45 percent by volume, and 46 percent by premium revenues.

The most striking indicator of the success of Whole Life PLUS is in the increase in face value. The average face value of Whole Life PLUS policies for 1981 was \$33,900—nearly \$14,000 higher than Metropolitan's 1980 average for cash value products.

Metromatic—Metropolitan's new personal employee benefit program—challenges traditional marketing techniques by selling a





series of affordable life, health and retirement products at the worksite through payroll deductions. The coverage costs employers nothing, and employees receive the benefits of lower premiums. What's more, coverage is permanent, even if employees change jobs.

**Group Life and Health:** Service and technical expertise are essential in group life and health insurance. Metropolitan's product design and service delivery systems have produced exceptional results in today's highly competitive marketplace.

During 1981, group life insurance in-force exceeded \$270 billion. Total group insurance issued was \$36.5 billion—121 percent higher than 1980. Group life and health

premium volume, including amounts under service and other agreements, reached \$6 billion. All were new records for Metropolitan.

Already a major factor in the large group case market, Metropolitan significantly expanded its base in 1981, adding new groups ranging from an entire police force in an Eastern city to a small computer software company in the Southwest.

Key to our growth has been the capacity to tailor specific benefits to customer needs and offer an array of insurance products—from disability to life to vision—structuring benefits to meet employer as well as employee requirements.



*Metropolitan's full range of services is tailored for the insurance goals of owners and employees of small businesses.*



Our expertise in such areas as risk appraisal, cash flow management and claims payment means lower unit costs for employers and better service for employees.

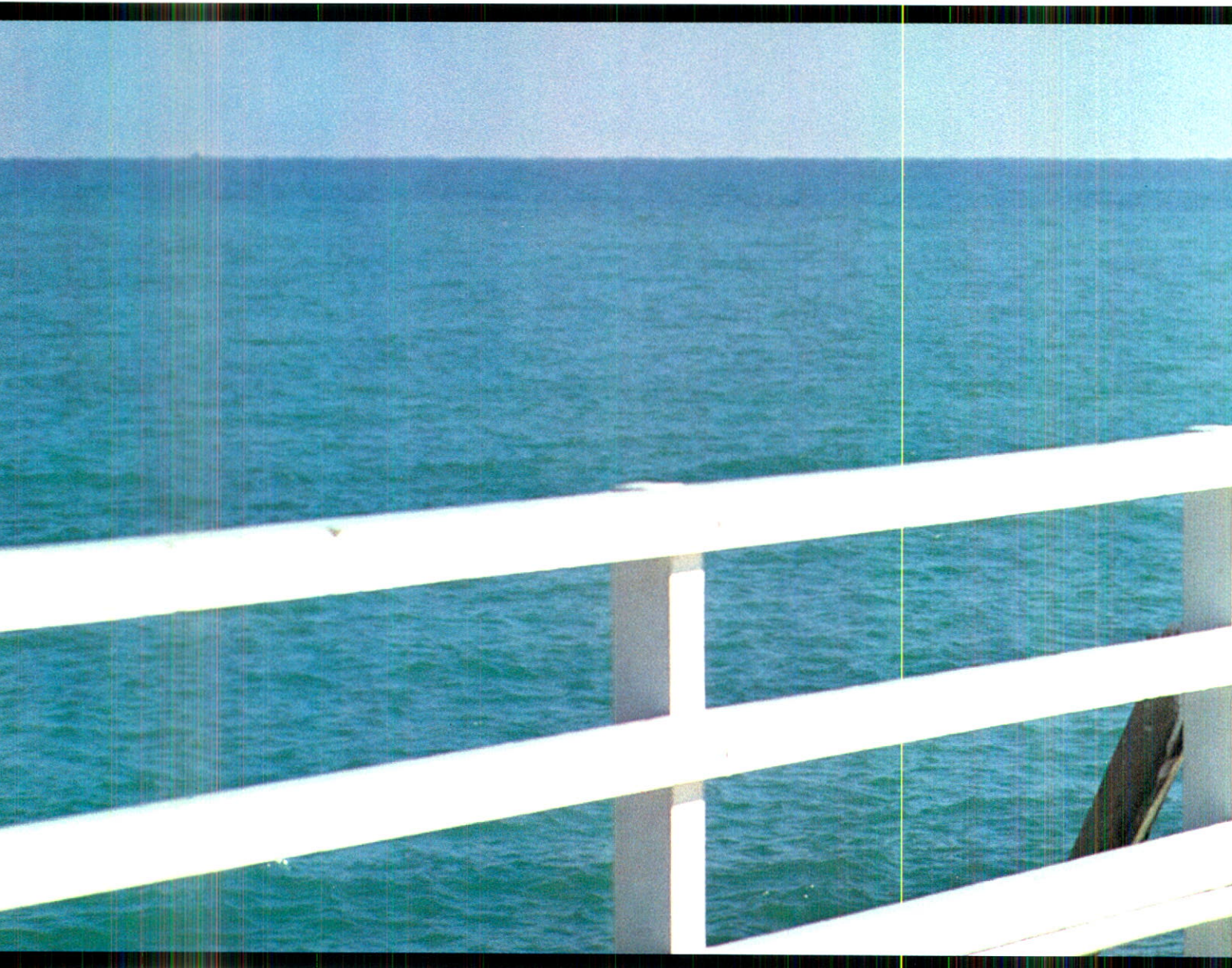
**Group Pensions:** Metropolitan's group pension business showed our ability to work together with employers to build on Social Security's foundation of benefits. Total 1981 sales reached \$1.8 billion, almost doubling 1980's total of \$1 billion. Net new money for group pensions amounted to more than \$2 billion, up over \$600 million from 1980.

The source of Metropolitan's success in group pensions is our ability to provide a wide variety of services and products to accommodate retirement plans of every description.

Included are asset management, actuarial and administrative services. Asset management is the largest segment of our business, and with good reason. Metropolitan offers group customers a multitude of investment management options, including separate accounts specializing in such diverse vehicles as smaller emerging growth stocks, real estate equities, money market instruments, and energy stocks in addition to traditional equities.

Metropolitan's diversity of products and services, our excellent investment results, and the close relationship between our sales force and our group customers and their employees help assure that we will continue to be a leader in the pension field.





***Planning for Retirement:*** Through 1981 inflation continued to strain a Social Security system that provides indexed benefits for a growing and longer-living number of retired people. In keeping with our tradition of concern over both the individual and collective well-being of our policyholders and retired employees, Metropolitan reaffirms its long held position that Social Security was designed to provide a base of protection which should be supplemented by personal savings and private pensions. Thus, we support national policies introduced in 1981 to encourage higher levels of individual savings. Such steps are essential to assure a sound, productive and non-inflationary economy. Over the longer term

this more than anything else will provide for greater personal retirement security.

***Property and Liability:*** Homes and autos need protection, too—and Metropolitan can coordinate that protection in a comprehensive insurance plan, all through a single Sales Representative.

First offered in 1974, Metropolitan property and liability coverage is now available to individuals and families in 45 states. Almost 800,000 policies were in force at year-end 1981, up 15.6 percent from 1980. Premium income increased nearly 32 percent to an all-time high of \$296 million.

For most insurers 1981 saw a marked increase in costs of property and casualty



*Metropolitan offers group and individual pension programs and services to help assure the good life in retirement.*



claims—in terms of both losses and expenses. However, through careful underwriting and stringent expense management, Metropolitan had an exceptional year, with improved loss and expense results. In fact, 1981 was its first year of profitable operations, two years ahead of projections.

**Reinsurance:** Metropolitan Reinsurance Company, a property and casualty reinsurer participating in the coverage of risks written by other insurance companies, had a successful year, both in terms of sales and operating results. Premium volume increased by 45 percent to more than \$45 million and net pretax earnings exceeded \$2 million.

***Metropolitan Today and Tomorrow:***

Innovation and reliability, a difficult combination to beat in today's marketplace, were part of Metropolitan's initial response to the challenges of the 1980's. As the decade unfolds, the challenges and opportunities are expected to increase. We face them with a sense of confidence—confidence in our ability to continue to meet the needs of our policyholders for the highest quality possible in insurance and related products and services.



# Balance Sheets

## Assets

December 31	1981	1980
	(In Thousands)	
<i>Bonds</i>		
United States, Canadian, and other government	\$ 2,622,047	\$ 1,925,199
Provincial, municipal, and public agencies	537,026	586,279
Industrial and commercial	17,766,678	17,626,373
Public utility	4,966,624	4,361,005
Railroad	1,015,797	1,018,915
	26,908,172	25,517,771
<i>Stocks Unaffiliated With Metropolitan</i>		
Preferred or guaranteed	956,719	905,621
Common	692,882	851,116
	1,649,601	1,756,737
<i>Mortgage Loans on Real Estate</i>		
Residential, commercial, and industrial	13,220,658	12,527,898
Farm and ranch	1,817,763	1,627,415
	15,038,421	14,155,313
Investments in Subsidiaries (other than real estate subsidiaries)	487,490	447,200
Investment Real Estate (includes investments in joint ventures and real estate subsidiaries)	1,469,223	827,887
Properties Acquired for Company Use	187,129	188,926
Policy Loans	2,558,371	2,199,097
Cash and Bank Deposits	70,784	77,205
Premiums Due and Deferred	1,625,721	1,373,794
Investment Income Due and Accrued	856,816	770,695
Other Assets	129,856	117,314
Separate Account Assets	776,261	877,832
<b>Total Assets</b>	<b>\$51,757,845</b>	<b>\$48,309,771</b>

Assets included above amounting to \$2,506,305,000 and \$2,201,954,000 at December 31, 1981 and 1980, 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 Contingency Reserves**

Metropolitan Life Insurance Company

December 31	1981	1980
	(In Thousands)	
<b>Statutory Policy Reserves</b>		
Life insurance and annuity reserves	\$38,084,448	\$37,018,463
Accident and health and aviation reinsurance reserves	261,121	234,212
	38,345,569	37,252,675
Policy Proceeds and Dividends Left With Company	1,247,622	1,314,390
Set Aside for Dividends to Policyholders	942,953	929,332
Policy and Contract Claims	513,021	435,279
Policy Premiums Deposited or Received in Advance	3,708,543	1,844,627
Other Policy Liabilities	2,814,164	2,539,201
Taxes Accrued	82,843	47,987
Mandatory Securities Valuation Reserve	631,582	679,583
Mortgage Loan and Real Estate Valuation Reserve	92,910	93,097
All Other Liabilities	248,675	241,030
Separate Account Business	775,658	877,234
<b>Total Liabilities</b>	49,403,540	46,254,435
Special Contingency Reserves	501,350	482,550
General Contingency Reserve	1,852,955	1,572,786
<b>Total Contingency Reserves</b>	2,354,305	2,055,336
<b>Total Liabilities and Contingency Reserves</b>	\$51,757,845	\$48,309,771



# Statements of Operations and Contingency Reserves

Metropolitan Life Insurance Company

For the Years Ended December 31	Notes	1981	1980
(In Thousands)			
<b>Income</b>			
Premiums and annuity considerations	5	\$5,131,317	\$6,017,452
Net investment income		3,906,122	3,498,682
Net unrealized and realized capital gains (losses) on investments in separate accounts	4	(40,213)	141,974
<b>Total Income</b>		<b>\$8,997,226</b>	<b>\$9,658,108</b>
<b>Application of Income</b>			
Benefit payments (other than dividends) to policyholders and beneficiaries	5	\$3,474,340	\$3,595,497
Additions to reserve liabilities for future payments		1,340,355	2,264,248
Insurance expenses		1,183,161	1,158,881
Taxes (other than investment taxes):			
Federal income taxes		129,064	78,088
Other taxes		127,909	130,546
Other applications-net	5	1,166,051	878,891
Total application before dividends to policyholders and additions to contingency reserves		7,420,880	8,106,151
Dividends to policyholders as approved annually by the Board of Directors		1,204,915	1,072,758
Additions to contingency reserves		371,431	479,199
		1,576,346	1,551,957
<b>Total Application of Income</b>		<b>\$8,997,226</b>	<b>\$9,658,108</b>
<b>Changes in Contingency Reserves</b>			
Contingency reserves at beginning of year		\$2,055,336	\$1,752,321
Additions from application of income		371,431	479,199
Net unrealized and realized capital gains (losses) on general account investments of (\$125,678,000) in 1981 and \$160,621,000 in 1980 net of change in investment reserves of (\$48,188,000) in 1981 and \$260,287,000 in 1980	4	(77,490)	(99,666)
Change in reserve for minimum annuity valuation standards of certain states		46,300	4,032
Other adjustments-net		(41,272)	(80,550)
Contingency reserves at end of year		<b>\$2,354,305</b>	<b>\$2,055,336</b>

These statements include separate account transactions.  
See accompanying notes to financial statements.



# Statements of Source and Application of Funds

Metropolitan Life Insurance Company

For the Years Ended December 31	1981	1980
	(In Thousands)	
<b>Source of Funds</b>		
Additions to reserve liabilities for future payments deducted from income but not expended	\$1,340,355	\$2,264,248
Excess of income over application of income before dividends to policyholders and additions to contingency reserves	1,576,346	1,551,957
From dispositions and adjustments in value of general account invested assets:		
Bonds, unaffiliated stocks and investment in subsidiaries (other than real estate subsidiaries)	9,050,160	8,762,279
Mortgage loans and real estate	1,108,209	992,089
Other—net (principally changes in various asset and liability accounts not requiring or providing funds and net realized capital gains on general account investments)	1,736,287	598,761
<b>Total</b>	<b>\$14,811,357</b>	<b>\$14,169,334</b>
<b>Application of Funds</b>		
Dividends to policyholders as approved annually by the Board of Directors	\$ 1,204,915	\$ 1,072,758
By acquisition of general account invested assets:		
Bonds, unaffiliated stocks and investment in subsidiaries (other than real estate subsidiaries)	10,373,715	9,992,023
Mortgage loans and real estate	2,630,856	2,392,725
Net increase (decrease) in separate account assets	(101,571)	15,105
Net increase in other assets	703,442	696,723
<b>Total</b>	<b>\$14,811,357</b>	<b>\$14,169,334</b>

See accompanying 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 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 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. Federal income tax expenses for 1981 and 1980 reflect 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 expenses. Total pension expenses amounted to \$60,471,000 in 1981 and \$62,249,000 in 1980.



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	
	1981	1980
	<i>(In Thousands)</i>	
Actuarial present value of accumulated plan benefits:		
Vested	\$1,441,794	\$1,401,149
Nonvested	16,672	16,876
	\$1,458,466	\$1,418,025
Net assets available for benefits	\$1,544,466	\$1,443,068

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 5.5 percent for both 1981 and 1980. 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, 1981, the amortized value of such mortgages was approximately \$2,192,900,000; at December 31, 1980, the amount was \$1,538,579,000.

### 4. Capital Gains

Net capital gains in 1981 and 1980 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

Metropolitan has entered into certain reinsurance agreements involving personal life insurance, personal annuity and group annuity business, and certain items appearing in the Statements of Operations and Contingency Reserves have been affected. Those items significantly affected, adjusted to exclude the impacts of the agreements, are:

	1981	1980
	<i>(In Thousands)</i>	
Premiums and annuity considerations	\$5,431,429	\$6,171,675
Benefit payments to policyholders and beneficiaries	4,957,850	4,642,957
Other applications-net	(33,063)	(21,709)



**Metropolitan Life Insurance Company:**

We have examined the balance sheets of Metropolitan Life Insurance Company as of December 31, 1981 and 1980 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, 1981 and 1980 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.



New York, N.Y.  
February 16, 1982

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 Audit 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 Audit 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, 1981)

## Senior Corporate Officers

Charles N. Armstrong President-Canadian Operations Canadian Head Office	George M. Crandles Senior Vice-President Corporate Investments	Peter R. Genereaux President DTSS Incorporated	Rudolph Michaud Senior Vice-President Southeastern Head Office
Ted Athanassiades Senior Vice-President Financial Management	Robert J. Crimmins Senior Vice-President Atlantic Head Office	Joseph J. Guiffre Senior Vice-President Eastern Head Office	John D. Moynahan, Jr. Senior Vice-President Group Life and Health Operations
Richard F. Barry Senior Vice-President Office of the Chairman	Gordon G. Dinsmore Senior Vice-President Personal Insurance Administration	Peter S. Hadley Senior Vice-President Corporate Investments	Stewart G. Nagler Senior Vice-President Group Pensions
Warren I. Beckwith Senior Vice-President Group Insurance	Richard A. Edwards Senior Vice-President Government and Industry Relations	Robert E. Hayes Senior Vice-President Group National Accounts	Donald A. Odell Senior Vice-President Central Head Office
V. Stanley Benfell Senior Vice-President Western Head Office	Paul S. Entmacher, M.D. Vice-President and Chief Medical Director	Charles C. Hewitt, Jr. President and Chief Executive Officer Metropolitan Reinsurance Company	Mark A. Peterson Senior Vice-President Human Resources
Stephen T. Bow Senior Vice-President Midwestern Head Office	James R. Flynn Senior Vice-President Great Lakes Head Office	Harry P. Kamen Vice-President, Secretary and Associate General Counsel	William G. Poortvliet Senior Vice-President and Chief Actuary
Edward H. Colton Vice-President and Controller	Samuel F. Fortunato President and Chief Executive Officer Metropolitan Property and Liability Insurance Company	Francis P. Lynch Senior Vice-President Personal Insurance Administration	Colby Tibbetts Senior Vice-President Mideastern Head Office
Richard J. Conlan Senior Vice-President Electronic Installations		J. Austin Lyons, Jr. Senior Vice-President and General Counsel	George B. Trotta Senior Vice-President Personal Insurance Marketing
Glen E. Coverdale Senior Vice-President Real Estate Investments	Matthew W. Galbraith Senior Vice-President New England Head Office		Arthur G. Typermass Vice-President and Treasurer



(as of December 31, 1981)

## *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

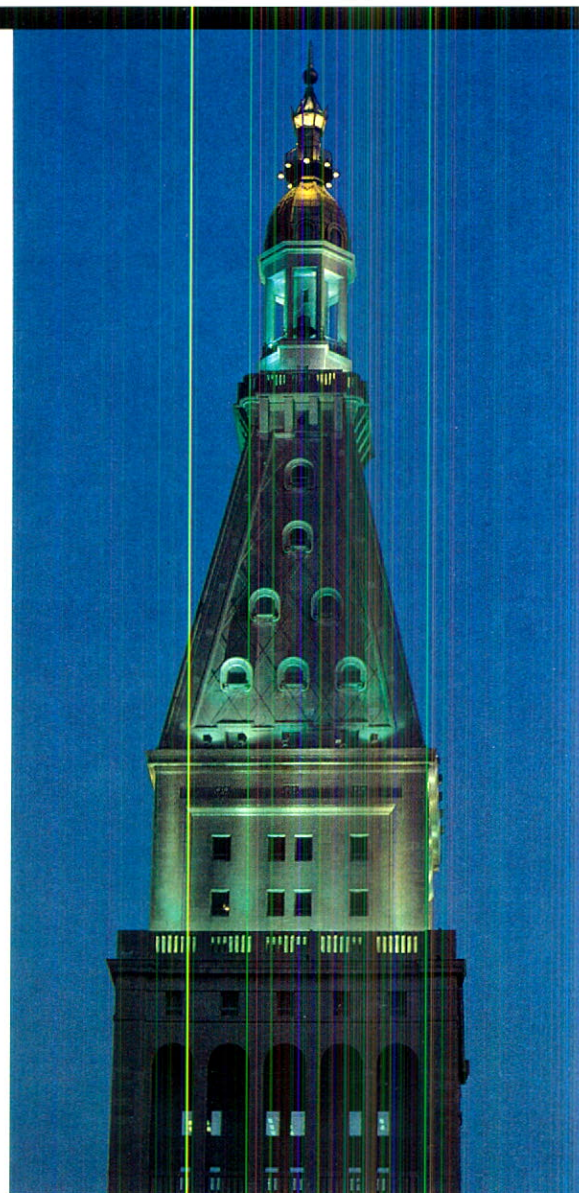
Jean-Pierre Maurer  
Executive Vice-President

## *Edwin B. Lancaster Retires*

Executive Vice-President Edwin B. Lancaster retired from Company service on September 1, 1981, after a Metropolitan career of over 42 years. Throughout his career, Mr. Lancaster distinguished himself in a broad range of assignments and particularly as the Company's Chief Actuary during a period of great change at Metropolitan. He also served as Chairman of the Board of three of the Company's subsidiaries, Metropolitan Reinsurance Company, Metropolitan Insurance and Annuity Company and DTSS Incorporated.

## *Alexander J. Bailie, 1932-1981*

Executive Vice-President Alexander J. Bailie died on November 4, 1981. At the time of his death, Mr. Bailie was serving in the Corporate Executive Office after more than a quarter-century of dedicated service to the Company. He directed the activities of the Accounting, Actuarial, Auditing, Electronic Installations and Medical Departments.





# Board of Directors

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

(as of December 31, 1981)

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

Lewis W. Foy  
Bethlehem, Pa., retired Chairman,  
Bethlehem Steel Corporation

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.

Richard J. Mahoney  
St. Louis, Mo., President,  
Monsanto Company

W. Earle McLaughlin  
Montreal, Que., Canada, retired  
Chairman of the Board, The Royal  
Bank of Canada

Martha E. Peterson  
Madison, Wis., President Emeritus,  
Beloit College

John B. M. Place  
San Francisco, Calif., Chairman of  
the Board, Crocker National Bank

L. Edmund Rast  
Atlanta, Ga., retired President,  
Southern Bell Telephone and  
Telegraph Company

John P. Robarts  
Toronto, Ont., Canada, Stikeman,  
Elliott, Robarts & 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 &  
Company, Inc.

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

Elmer B. Staats  
Washington, D.C., retired  
Comptroller General of the  
United States

W. Allen Wallis  
Rochester, N.Y., Chancellor, The  
University of Rochester

## Changes in Our Board

The Board welcomed two distinguished new members in 1981: Richard J. Mahoney, President, Monsanto Company, St. Louis, and Elmer B. Staats, retired Comptroller General of the United States, Washington, D.C.

G. Keith Funston, former President, New York Stock Exchange, retired as a Board member after 27 years of distinguished and dedicated service; John D. Harper, retired Chairman of the Board, Aluminum Company of America, after 15 years of loyal and exemplary service; and Albert L. Nickerson, retired Chairman of the Board, Mobil Oil Corporation, after 16 years of devoted and outstanding service.

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 five standing committees.

**The Audit 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 and Dividend Policy Committee** supervises the dividend and surplus policies and practices of the Company and exercises, to the extent permitted by law, all powers of the Board of Directors during intervals between Board meetings.  
Chairman: Richard R. Shinn

**The Investment 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 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 addition, 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

**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.



