

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 33-03094

MetLife Insurance Company of Connecticut

(Exact name of registrant as specified in its charter)

Connecticut

*(State or other jurisdiction of
incorporation or organization)*

06-0566090

*(I.R.S. Employer
Identification No.)*

One Cityplace, Hartford, Connecticut

(Address of principal executive offices)

06103-3415

(Zip Code)

(860) 308-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At August 6, 2008, 34,595,317 shares of the registrant's common stock, \$2.50 par value per share, were outstanding, of which 30,000,000 shares were owned directly by MetLife, Inc. and the remaining 4,595,317 shares were owned by MetLife Investors Group, Inc., a wholly-owned subsidiary of MetLife, Inc.

REDUCED DISCLOSURE FORMAT

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is, therefore, filing this Form 10-Q with the reduced disclosure format.

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Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, contains statements which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to trends in the operations and financial results and the business and the products of MetLife Insurance Company of Connecticut and its subsidiaries, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend" and other similar expressions. Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects on MetLife Insurance Company of Connecticut and its subsidiaries. Such forward-looking statements are not guarantees of future performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Part I — Financial Information

Item 1. Financial Statements

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Interim Condensed Consolidated Balance Sheets
June 30, 2008 (Unaudited) and December 31, 2007

(In millions, except share and per share data)

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$45,530 and \$46,264, respectively)	\$ 43,694	\$ 45,671
Equity securities available-for-sale, at estimated fair value (cost: \$997 and \$992, respectively)	893	952
Mortgage and consumer loans	4,495	4,404
Policy loans	1,196	913
Real estate and real estate joint ventures held-for-investment	583	541
Other limited partnership interests	1,346	1,130
Short-term investments	800	1,335
Other invested assets	1,599	1,445
Total investments	<u>54,606</u>	<u>56,391</u>
Cash and cash equivalents	2,150	1,774
Accrued investment income	513	637
Premiums and other receivables	9,125	8,320
Deferred policy acquisition costs and value of business acquired	5,171	4,948
Current income tax recoverable	91	72
Deferred income tax assets	1,131	846
Goodwill	953	953
Other assets	747	753
Separate account assets	48,579	53,867
Total assets	<u>\$123,066</u>	<u>\$ 128,561</u>
Liabilities and Stockholders' Equity		
Liabilities		
Future policy benefits	\$ 19,721	\$ 19,576
Policyholder account balances	32,782	33,815
Other policyholder funds	1,836	1,777
Long-term debt - affiliated	950	635
Payables for collateral under securities loaned and other transactions	10,712	10,471
Other liabilities	1,575	1,072
Separate account liabilities	48,579	53,867
Total liabilities	<u>116,155</u>	<u>121,213</u>
Contingencies, Commitments and Guarantees (Note 6)		
Stockholders' Equity		
Common stock, par value \$2.50 per share; 40,000,000 shares authorized; 34,595,317 shares issued and outstanding at both June 30, 2008 and December 31, 2007	86	86
Additional paid-in capital	6,719	6,719
Retained earnings	1,177	892
Accumulated other comprehensive loss	(1,071)	(349)
Total stockholders' equity	<u>6,911</u>	<u>7,348</u>
Total liabilities and stockholders' equity	<u>\$123,066</u>	<u>\$ 128,561</u>

See accompanying notes to interim condensed consolidated financial statements.

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Interim Condensed Consolidated Statements of Income
For the Three Months and Six Months Ended June 30, 2008 and 2007 (Unaudited)

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues				
Premiums	\$ 65	\$ 83	\$ 220	\$ 171
Universal life and investment-type product policy fees	372	354	772	682
Net investment income	685	769	1,347	1,464
Other revenues	59	63	115	124
Net investment gains (losses)	(126)	(126)	(171)	(201)
Total revenues	<u>1,055</u>	<u>1,143</u>	<u>2,283</u>	<u>2,240</u>
Expenses				
Policyholder benefits and claims	223	241	548	466
Interest credited to policyholder account balances	288	320	596	642
Other expenses	300	324	757	680
Total expenses	<u>811</u>	<u>885</u>	<u>1,901</u>	<u>1,788</u>
Income from continuing operations before provision for income tax	244	258	382	452
Provision for income tax	69	71	97	113
Income from continuing operations	175	187	285	339
Income from discontinued operations, net of income tax	—	—	—	4
Net income	<u>\$ 175</u>	<u>\$ 187</u>	<u>\$ 285</u>	<u>\$ 343</u>

See accompanying notes to interim condensed consolidated financial statements.

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Interim Condensed Consolidated Statement of Stockholders' Equity
For the Six Months Ended June 30, 2008 (Unaudited)

(In millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss		Total
				Net Unrealized Investment Gains (Losses)	Foreign Currency Translation Adjustments	
Balance at January 1, 2008	\$ 86	\$ 6,719	\$ 892	\$ (361)	\$ 12	\$ 7,348
Comprehensive loss:						
Net income			285			285
Other comprehensive loss:						
Unrealized losses on derivative instruments, net of income tax				(1)		(1)
Unrealized investment losses, net of related offsets and income tax				(718)		(718)
Foreign currency translation adjustments, net of income tax					(3)	(3)
Other comprehensive loss						(722)
Comprehensive loss						(437)
Balance at June 30, 2008	<u>\$ 86</u>	<u>\$ 6,719</u>	<u>\$ 1,177</u>	<u>\$ (1,080)</u>	<u>\$ 9</u>	<u>\$ 6,911</u>

See accompanying notes to interim condensed consolidated financial statements.

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Interim Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2008 and 2007 (Unaudited)

(In millions)

	Six Months Ended June 30,	
	2008	2007
Net cash provided by operating activities	\$ 1,043	\$ 1,419
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	9,501	13,121
Equity securities	89	92
Mortgage and consumer loans	249	650
Real estate and real estate joint ventures	13	105
Other limited partnership interests	37	372
Purchases of:		
Fixed maturity securities	(9,016)	(13,799)
Equity securities	(101)	(228)
Mortgage and consumer loans	(378)	(1,325)
Real estate and real estate joint ventures	(59)	(278)
Other limited partnership interests	(251)	(263)
Net change in policy loans	(283)	8
Net change in short-term investments	540	253
Net change in other invested assets	(191)	(5)
Other, net	—	15
Net cash provided by (used in) investing activities	<u>150</u>	<u>(1,282)</u>
Cash flows from financing activities		
Policyholder account balances:		
Deposits	2,268	5,198
Withdrawals	(3,636)	(6,254)
Net change in payables for collateral under securities loaned and other transactions	241	2,102
Long-term debt issued — affiliated	750	—
Long-term debt repaid — affiliated	(435)	—
Financing element on certain derivative instruments	3	44
Debt and equity issuance costs	(8)	—
Net cash (used in) provided by financing activities	<u>(817)</u>	<u>1,090</u>
Change in cash and cash equivalents	376	1,227
Cash and cash equivalents, beginning of period	1,774	649
Cash and cash equivalents, end of period	<u>\$ 2,150</u>	<u>\$ 1,876</u>
Supplemental disclosures of cash flow information:		
Net cash paid during the period for:		
Interest	<u>\$ 28</u>	<u>\$ 16</u>
Income tax	<u>\$ 23</u>	<u>\$ 78</u>

See Note 12 for disclosure regarding the receipt of \$901 million under an affiliated reinsurance agreement during the six months ended June 30, 2007, which is included in net cash provided by operating activities.

See accompanying notes to interim condensed consolidated financial statements.

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

1. Business, Basis of Presentation, and Summary of Significant Accounting Policies

Business

“MICC” or the “Company” refers to MetLife Insurance Company of Connecticut, a Connecticut corporation incorporated in 1863, and its subsidiaries, including MetLife Investors USA Insurance Company (“MLI-USA”). The Company is a wholly-owned subsidiary of MetLife, Inc. (“MetLife”). The Company offers individual annuities, individual life insurance and institutional protection and asset accumulation products.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the unaudited interim condensed consolidated financial statements. The most critical estimates include those used in determining:

- (i) the fair value of investments in the absence of quoted market values;
- (ii) investment impairments;
- (iii) the recognition of income on certain investment entities;
- (iv) the application of the consolidation rules to certain investments;
- (v) the existence and fair value of embedded derivatives requiring bifurcation;
- (vi) the fair value of and accounting for derivatives;
- (vii) the capitalization and amortization of deferred policy acquisition costs (“DAC”) and the establishment and amortization of value of business acquired (“VOBA”);
- (viii) the measurement of goodwill and related impairment, if any;
- (ix) the liability for future policyholder benefits;
- (x) accounting for income taxes and the valuation of deferred tax assets;
- (xi) accounting for reinsurance transactions; and
- (xii) the liability for litigation and regulatory matters.

In applying the Company’s accounting policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company’s businesses and operations. Actual results could differ from these estimates.

The accompanying unaudited interim condensed consolidated financial statements include the accounts of: (i) the Company; (ii) partnerships and joint ventures in which the Company has control; and (iii) variable interest entities for which the Company is deemed to be the primary beneficiary. Intercompany accounts and transactions have been eliminated.

The Company uses the equity method of accounting for investments in equity securities in which it has more than a 20% interest and for real estate joint ventures and other limited partnership interests in which it has more than a minor equity interest or more than a minor influence over the joint venture’s or partnership’s operations, but does not have a controlling interest and is not the primary beneficiary. The Company uses the cost method of accounting for investments in real estate joint ventures and other limited partnership interests in which it has a minor equity investment and virtually no influence over the joint venture’s or the partnership’s operations.

Since the Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity.

MetLife Insurance Company of Connecticut
(A Wholly-Owned Subsidiary of MetLife, Inc.)

Notes to Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company at June 30, 2008, its consolidated results of operations for the three months and six months ended June 30, 2008 and 2007, its consolidated cash flows for the six months ended June 30, 2008 and 2007, and its consolidated statement of stockholders' equity for the six months ended June 30, 2008, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2007 consolidated balance sheet data was derived from audited consolidated financial statements included in MICC's Annual Report on Form 10-K for the year ended December 31, 2007 (as amended on Form 10-K/A, the "2007 Annual Report") filed with the U.S. Securities and Exchange Commission, which includes all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2007 Annual Report.

Adoption of New Accounting Pronouncements

Fair Value

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a consistent framework for measuring fair value, establishes a fair value hierarchy based on the observability of inputs used to measure fair value, and requires enhanced disclosures about fair value measurements.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In many cases, the exit price and the transaction (or entry) price will be the same at initial recognition. However, in certain cases, the transaction price may not represent fair value. Prior to SFAS 157, the fair value of a liability was often based on a settlement price concept, which assumed the liability was extinguished. Under SFAS 157, fair value is based on the amount that would be paid to transfer a liability to a third party with the same credit standing. SFAS 157 requires that fair value be a market-based measurement in which the fair value is determined based on a hypothetical transaction at the measurement date, considered from the perspective of a market participant. Accordingly, fair value is no longer determined based solely upon the perspective of the reporting entity. When quoted prices are not used to determine fair value, SFAS 157 requires consideration of three broad valuation techniques: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The approaches are not new, but SFAS 157 requires that entities determine the most appropriate valuation technique to use, given what is being measured and the availability of sufficient inputs. SFAS 157 prioritizes the inputs to fair valuation techniques and allows for the use of unobservable inputs to the extent that observable inputs are not available. The Company has categorized its assets and liabilities into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. SFAS 157 defines the input levels as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

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Notes to Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Effective January 1, 2008, the Company adopted SFAS 157 and applied the provisions of the statement prospectively to assets and liabilities measured at fair value. The adoption of SFAS 157 changed the valuation of certain freestanding derivatives by moving from a mid to bid pricing convention as it relates to certain volatility inputs as well as the addition of liquidity adjustments and adjustments for risks inherent in a particular input or valuation technique. The adoption of SFAS 157 also changed the valuation of the Company's embedded derivatives, most significantly the valuation of embedded derivatives associated with certain riders on variable annuity contracts. The change in valuation of embedded derivatives associated with riders on annuity contracts resulted from the incorporation of risk margins associated with non-capital market inputs and the inclusion of the Company's own credit standing in their valuation. At January 1, 2008, the impact of adopting SFAS 157 on assets and liabilities measured at fair value was \$59 million (\$38 million, net of income tax) and was recognized as a change in estimate in the accompanying unaudited condensed consolidated statement of income where it was presented in the respective income statement caption to which the item measured at fair value is presented. There were no significant changes in fair value of items measured at fair value and reflected in accumulated other comprehensive income (loss). The addition of risk margins and the Company's own credit spread in the valuation of embedded derivatives associated with annuity contracts may result in significant volatility in the Company's consolidated net income in future periods. Note 11 presents the fair value of all assets and liabilities required to be measured at fair value as well as the expanded fair value disclosures required by SFAS 157, which includes updated critical accounting estimates related to investments, derivatives and embedded derivatives. This information should be read in conjunction with Note 1 of the Notes to Consolidated Financial Statements included in the 2007 Annual Report.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 permits entities the option to measure most financial instruments and certain other items at fair value at specified election dates and to recognize related unrealized gains and losses in earnings. The fair value option is applied on an instrument-by-instrument basis upon adoption of the standard, upon the acquisition of an eligible financial asset, financial liability or firm commitment or when certain specified reconsideration events occur. The fair value election is an irrevocable election. Effective January 1, 2008, the Company did not elect the fair value option for any instruments.

Effective January 1, 2008, the Company adopted FASB Staff Position ("FSP") No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* ("FSP 157-1"). FSP 157-1 amends SFAS 157 to provide a scope out exception for lease classification and measurement under SFAS No. 13, *Accounting for Leases*. The Company also adopted FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157* which delays the effective date of SFAS 157 for certain nonfinancial assets and liabilities that are recorded at fair value on a nonrecurring basis. The effective date is delayed until January 1, 2009 and impacts balance sheet items including nonfinancial assets and liabilities in a business combination and the impairment testing of goodwill and long-lived assets.

Other

Effective January 1, 2008, the Company adopted FSP No. FIN 39-1, *Amendment of FASB Interpretation No. 39* ("FSP 39-1"). FSP 39-1 amends FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*

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Notes to Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

(“FIN 39”), to permit a reporting entity to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement that have been offset in accordance with FIN 39. FSP 39-1 also amends FIN 39 for certain terminology modifications. Upon adoption of FSP 39-1, the Company did not change its accounting policy of not offsetting fair value amounts recognized for derivative instruments under master netting arrangements. The adoption of FSP 39-1 did not have an impact on the Company’s unaudited interim condensed consolidated financial statements.

Effective January 1, 2008, the Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”) Implementation Issue E-23, *Clarification of the Application of the Shortcut Method* (“Issue E-23”). Issue E-23 amended SFAS 133 by permitting interest rate swaps to have a non-zero fair value at inception when applying the shortcut method of assessing hedge effectiveness, as long as the difference between the transaction price (zero) and the fair value (exit price), as defined by SFAS 157, is solely attributable to a bid-ask spread. In addition, entities are not precluded from applying the shortcut method of assessing hedge effectiveness in a hedging relationship of interest rate risk involving an interest bearing asset or liability in situations where the hedged item is not recognized for accounting purposes until settlement date as long as the period between trade date and settlement date of the hedged item is consistent with generally established conventions in the marketplace. The adoption of Issue E-23 did not have an impact on the Company’s unaudited interim condensed consolidated financial statements.

Future Adoption of New Accounting Pronouncements

Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations — A Replacement of FASB Statement No. 141* (“SFAS 141(r)”) and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51* (“SFAS 160”). Under SFAS 141(r) and SFAS 160:

- All business combinations (whether full, partial or “step” acquisitions) result in all assets and liabilities of an acquired business being recorded at fair value, with limited exceptions.
- Acquisition costs are generally expensed as incurred; restructuring costs associated with a business combination are generally expensed as incurred subsequent to the acquisition date.
- The fair value of the purchase price, including the issuance of equity securities, is determined on the acquisition date.
- Certain acquired contingent liabilities are recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies.
- Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally affect income tax expense.
- Noncontrolling interests (formerly known as “minority interests”) are valued at fair value at the acquisition date and are presented as equity rather than liabilities.
- When control is attained on previously noncontrolling interests, the previously held equity interests are remeasured at fair value and a gain or loss is recognized.
- Purchases or sales of equity interests that do not result in a change in control are accounted for as equity transactions.

MetLife Insurance Company of Connecticut
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Notes to Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

- When control is lost in a partial disposition, realized gains or losses are recorded on equity ownership sold and the remaining ownership interest is remeasured and holding gains or losses are recognized.

The pronouncements are effective for fiscal years beginning on or after December 15, 2008 and apply prospectively to business combinations. Presentation and disclosure requirements related to noncontrolling interests must be retrospectively applied. The Company is currently evaluating the impact of SFAS 141(r) on its accounting for future acquisitions and the impact of SFAS 160 on its consolidated financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (“FSP 142-3”). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* (“SFAS 142”). This change is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(r) and other GAAP. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The requirement for determining useful lives must be applied prospectively to intangible assets acquired after the effective date and the disclosure requirements must be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date.

Derivatives

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement No. 133* (“SFAS 161”). SFAS 161 requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of SFAS 161 on its consolidated financial statements.

Other

In February 2008, the FASB issued FSP No. FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* (“FSP 140-3”). FSP 140-3 provides guidance for evaluating whether to account for a transfer of a financial asset and repurchase financing as a single transaction or as two separate transactions. FSP 140-3 is effective prospectively for financial statements issued for fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of FSP 140-3 on its consolidated financial statements.

In December 2007, the FASB ratified as final the consensus on Emerging Issues Task Force (“EITF”) Issue No. 07-6, *Accounting for the Sale of Real Estate When the Agreement Includes a Buy-Sell Clause* (“EITF 07-6”). EITF 07-6 addresses whether the existence of a buy-sell arrangement would preclude partial sales treatment when real estate is sold to a jointly owned entity. The consensus concludes that the existence of a buy-sell clause does not necessarily preclude partial sale treatment under current guidance. EITF 07-6 applies prospectively to new arrangements entered into and assessments on existing transactions performed in fiscal years beginning after December 15, 2008. The Company does not expect the adoption of EITF 07-6 to have a material impact on its consolidated financial statements.

MetLife Insurance Company of Connecticut
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Notes to Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

2. Investments

Fixed Maturity and Equity Securities Available-for-Sale

The following tables present the cost or amortized cost, gross unrealized gain and loss, estimated fair value of the Company's fixed maturity and equity securities, and the percentage that each sector represents by the respective total holdings at:

	June 30, 2008				% of Total
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value	
		Gain	Loss		
(In millions)					
U.S. corporate securities	\$ 16,807	\$ 75	\$1,020	\$ 15,862	36.3%
Residential mortgage-backed securities	11,774	76	322	11,528	26.4
Foreign corporate securities	6,320	79	287	6,112	14.0
U.S. Treasury/agency securities	3,523	79	42	3,560	8.1
Commercial mortgage-backed securities	3,233	8	226	3,015	6.9
Asset-backed securities	2,390	9	240	2,159	5.0
Foreign government securities	681	42	6	717	1.6
State and political subdivision securities	802	4	65	741	1.7
Total fixed maturity securities	\$ 45,530	\$372	\$2,208	\$ 43,694	100.0%
Non-redeemable preferred stock	\$ 734	\$ 20	\$ 112	\$ 642	71.9%
Common stock	263	3	15	251	28.1
Total equity securities	\$ 997	\$ 23	\$ 127	\$ 893	100.0%

	December 31, 2007				% of Total
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value	
		Gain	Loss		
(In millions)					
U.S. corporate securities	\$ 17,174	\$119	\$ 618	\$ 16,675	36.5%
Residential mortgage-backed securities	11,914	98	80	11,932	26.1
Foreign corporate securities	6,536	83	184	6,435	14.1
U.S. Treasury/agency securities	3,976	126	11	4,091	9.0
Commercial mortgage-backed securities	3,182	28	67	3,143	6.9
Asset-backed securities	2,236	4	108	2,132	4.7
Foreign government securities	635	55	2	688	1.5
State and political subdivision securities	611	4	40	575	1.2
Total fixed maturity securities	\$ 46,264	\$517	\$1,110	\$ 45,671	100.0%
Non-redeemable preferred stock	\$ 777	\$ 21	\$ 63	\$ 735	77.2%
Common stock	215	9	7	217	22.8
Total equity securities	\$ 992	\$ 30	\$ 70	\$ 952	100.0%

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The Company is not exposed to any significant concentrations of credit risk in its equity securities portfolio. The Company is exposed to concentrations of credit risk related to U.S. Treasury securities and obligations of U.S. government and agencies. Additionally, at June 30, 2008 and December 31, 2007, the Company had exposure to fixed maturity securities backed by sub-prime mortgage loans with estimated fair values of \$455 million and \$570 million, respectively, and unrealized losses of \$122 million and \$45 million, respectively. These securities are classified within asset-backed securities in the immediately preceding tables. At June 30, 2008, 16% of the asset-backed securities backed by sub-prime mortgage loans have been guaranteed by financial guarantee insurers, of which 1% and 54% were guaranteed by financial guarantee insurers who were Aaa and Aa rated, respectively.

Overall, at June 30, 2008, \$1.2 billion of the estimated fair value of the Company's fixed maturity securities were credit enhanced by financial guarantee insurers of which \$524 million, \$509 million, \$177 million and \$8 million, are included within state and political subdivision securities, U.S. corporate securities, asset-backed securities, and mortgage-backed securities, respectively, and 20%, 24% and 41% were guaranteed by financial guarantee insurers who were Aaa, Aa and A rated, respectively.

The Company held fixed maturity securities at estimated fair values that were below investment grade or not rated by an independent rating agency that totaled \$3.2 billion and \$3.8 billion at June 30, 2008 and December 31, 2007, respectively. These securities had net unrealized losses of \$217 million and \$94 million at June 30, 2008 and December 31, 2007, respectively. Non-income producing fixed maturity securities were \$1 million at both June 30, 2008 and December 31, 2007. Net unrealized gains associated with non-income producing fixed maturity securities were less than \$1 million at both June 30, 2008 and December 31, 2007.

Unrealized Loss for Fixed Maturity and Equity Securities Available-for-Sale

The following tables present the estimated fair value and gross unrealized loss of the Company's fixed maturity (aggregated by sector) and equity securities in an unrealized loss position, aggregated by length of time that the securities have been in a continuous unrealized loss position at:

	June 30, 2008					
	Less than 12 months		Equal to or Greater than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
U.S. corporate securities	\$ 8,009	\$ 432	\$ 4,900	\$ 588	\$ 12,909	\$ 1,020
Residential mortgage-backed securities	5,208	214	963	108	6,171	322
Foreign corporate securities	2,764	129	1,634	158	4,398	287
U.S. Treasury/agency securities	1,331	32	151	10	1,482	42
Commercial mortgage-backed securities	1,783	84	930	142	2,713	226
Asset-backed securities	1,176	158	390	82	1,566	240
Foreign government securities	198	5	17	1	215	6
State and political subdivision securities	291	25	311	40	602	65
Total fixed maturity securities	\$ 20,760	\$ 1,079	\$ 9,296	\$ 1,129	\$ 30,056	\$ 2,208
Equity securities	\$ 335	\$ 49	\$ 283	\$ 78	\$ 618	\$ 127
Total number of securities in an unrealized loss position	2,629		1,189			

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	December 31, 2007					
	Less than 12 months		Equal to or Greater than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
U.S. corporate securities	\$ 6,643	\$ 316	\$ 5,010	\$ 302	\$ 11,653	\$ 618
Residential mortgage-backed securities	2,374	52	1,160	28	3,534	80
Foreign corporate securities	2,350	86	2,234	98	4,584	184
U.S. Treasury/agency securities	307	2	343	9	650	11
Commercial mortgage-backed securities	417	26	1,114	41	1,531	67
Asset-backed securities	1,401	91	332	17	1,733	108
Foreign government securities	63	1	62	1	125	2
State and political subdivision securities	84	9	387	31	471	40
Total fixed maturity securities	<u>\$ 13,639</u>	<u>\$ 583</u>	<u>\$ 10,642</u>	<u>\$ 527</u>	<u>\$ 24,281</u>	<u>\$ 1,110</u>
Equity securities	<u>\$ 386</u>	<u>\$ 42</u>	<u>\$ 190</u>	<u>\$ 28</u>	<u>\$ 576</u>	<u>\$ 70</u>
Total number of securities in an unrealized loss position	<u>2,011</u>		<u>1,487</u>			

Aging of Gross Unrealized Loss for Fixed Maturity and Equity Securities Available-for-Sale

The following tables present the cost or amortized cost, gross unrealized loss and number of securities for fixed maturity and equity securities, where the estimated fair value had declined and remained below cost or amortized cost by less than 20% or 20% or more at:

	June 30, 2008					
	Cost or Amortized Cost		Gross Unrealized Loss		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Less than six months	\$17,722	\$2,135	\$ 606	\$ 565	2,138	298
Six months or greater but less than nine months	2,088	210	145	77	212	37
Nine months or greater but less than twelve months	1,409	38	102	17	139	7
Twelve months or greater	9,407	—	823	—	1,028	—
Total	<u>\$30,626</u>	<u>\$2,383</u>	<u>\$ 1,676</u>	<u>\$ 659</u>		

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	December 31, 2007					
	Cost or Amortized Cost		Gross Unrealized Loss		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Less than six months	\$10,721	\$ 484	\$ 368	\$ 130	1,923	98
Six months or greater but less than nine months	3,011	—	155	—	337	—
Nine months or greater but less than twelve months	1,560	—	86	—	174	—
Twelve months or greater	10,261	—	441	—	1,375	—
Total	\$25,553	\$ 484	\$ 1,050	\$ 130		

At June 30, 2008 and December 31, 2007, \$1.6 billion and \$1.0 billion, respectively, of unrealized losses related to fixed maturity securities with an unrealized loss position of less than 20% of cost or amortized cost, which represented 5% and 4%, respectively, of the cost or amortized cost of such securities. At June 30, 2008 and December 31, 2007, \$50 million and \$54 million, respectively, of unrealized losses related to equity securities with an unrealized loss position of less than 20% of cost, which represented 11% and 9%, respectively, of the cost of such securities.

At June 30, 2008, \$582 million and \$77 million of unrealized losses related to fixed maturity securities and equity securities, respectively, with an unrealized loss position of 20% or more of cost or amortized cost, which represented 28% of the cost or amortized cost for both fixed maturity securities and equity securities. Of such unrealized losses of \$582 million and \$77 million, \$488 million and \$77 million related to fixed maturity securities and equity securities, respectively, that were in an unrealized loss position for a period of less than six months. At December 31, 2007, \$114 million and \$16 million of unrealized losses related to fixed maturity securities and equity securities, respectively, with an unrealized loss position of 20% or more of cost or amortized cost, which represented 27% and 29% of the cost or amortized cost of such fixed maturity securities and equity securities, respectively. Of such unrealized losses of \$114 million and \$16 million related to fixed maturity securities and equity securities, respectively, all were in an unrealized loss position for a period of less than six months.

The Company held 10 fixed maturity securities, each with a gross unrealized loss at June 30, 2008 of greater than \$10 million. These 10 fixed maturity securities represented 6%, or \$139 million in the aggregate, of the gross unrealized loss on fixed maturity securities. There were no equity securities with a gross unrealized loss of over \$10 million. The Company held 2 fixed maturity securities, each with a gross unrealized loss at December 31, 2007 of greater than \$10 million. These 2 fixed maturity securities represented 2%, or \$21 million in the aggregate, of the gross unrealized loss on fixed maturity securities. There were no equity securities with a gross unrealized loss of over \$10 million at December 31, 2007.

In the Company's impairment review process, the duration of, and severity of, an unrealized loss position, such as unrealized losses of 20% or more for equity securities, which was \$77 million at June 30, 2008 and \$16 million at December 31, 2007, is given greater weight and consideration, than for fixed maturity securities. An extended and severe unrealized loss position on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments and the Company's evaluation of recoverability of all contractual cash flows, as well as the Company's ability and intent to hold the security, including holding the security until the earlier of a recovery in value, or until maturity. Whereas for an equity security, greater weight and consideration is given by the Company to a decline in market value and the likelihood such market value decline will recover.

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At June 30, 2008 and December 31, 2007, the Company had \$2.3 billion and \$1.2 billion, respectively, of gross unrealized losses related to its fixed maturity and equity securities. These securities are concentrated, calculated as a percentage of gross unrealized loss, as follows:

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Sector:		
U.S. corporate securities	44%	52%
Foreign corporate securities	12	16
Asset-backed securities	10	9
Residential mortgage-backed securities	14	7
Commercial mortgage-backed securities	10	6
U.S. Treasury/agency securities	2	1
Other	8	9
Total	<u>100%</u>	<u>100%</u>
Industry:		
Finance	29%	36%
Industrial	2	23
Mortgage-backed	24	13
Asset-backed	10	9
Utility	8	8
Consumer	10	3
Communication	7	2
Government	2	1
Other	8	5
Total	<u>100%</u>	<u>100%</u>

As disclosed in Note 1 of the Notes to Consolidated Financial Statements included in the 2007 Annual Report, the Company performs a regular evaluation, on a security-by-security basis, of its investment holdings in accordance with its impairment policy in order to evaluate whether such securities are other-than-temporarily impaired. One of the criteria which the Company considers in its other-than-temporary impairment analysis is its intent and ability to hold securities for a period of time sufficient to allow for the recovery of their value to an amount equal to or greater than cost or amortized cost. The Company's intent and ability to hold securities considers broad portfolio management objectives such as asset/liability duration management, issuer and industry segment exposures, interest rate views and the overall total return focus. In following these portfolio management objectives, changes in facts and circumstances that were present in past reporting periods may trigger a decision to sell securities that were held in prior reporting periods. Decisions to sell are based on current conditions or the Company's need to shift the portfolio to maintain its portfolio management objectives including liquidity needs or duration targets on asset/liability managed portfolios. The Company attempts to anticipate these types of changes and if a sale decision has been made on an impaired security and that security is not expected to recover prior to the expected time of sale, the security will be deemed other-than-temporarily impaired in the period that the sale decision was made and an other-than-temporary impairment loss will be recognized.

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Based upon the Company's current evaluation of the securities in accordance with its impairment policy, the cause of the decline being attributable to a rise in market yields caused principally by a current widening of credit spreads which resulted from a lack of market liquidity and a short-term market dislocation versus a long-term deterioration in credit quality, and the Company's current intent and ability to hold the fixed maturity and equity securities with unrealized losses for a period of time sufficient for them to recover, the Company has concluded that the aforementioned securities are not other-than-temporarily impaired.

Securities Lending

The Company participates in a securities lending program whereby blocks of securities, which are included in fixed maturity and equity securities, are loaned to third parties, primarily major brokerage firms. The Company requires a minimum of 102% of the fair value of the loaned securities to be separately maintained as collateral for the loans. Securities with a cost or amortized cost of \$10.3 billion and \$9.9 billion and an estimated fair value of \$10.0 billion and \$9.8 billion were on loan under the program at June 30, 2008 and December 31, 2007, respectively. Securities loaned under such transactions may be sold or repledged by the transferee. The Company was liable for cash collateral under its control of \$10.3 billion and \$10.1 billion at June 30, 2008 and December 31, 2007, respectively. Security collateral of \$19 million and \$40 million on deposit from customers in connection with the securities lending transactions at June 30, 2008 and December 31, 2007, respectively, may not be sold or repledged and is not reflected in the unaudited interim condensed consolidated financial statements.

Net Investment Income

The components of net investment income are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Fixed maturity securities	\$ 626	\$ 700	\$ 1,277	\$ 1,381
Equity securities	13	13	25	18
Mortgage and consumer loans	64	66	131	125
Policy loans	17	13	33	26
Real estate and real estate joint ventures	7	42	14	51
Other limited partnership interests	19	76	16	120
Cash, cash equivalents and short-term investments	20	18	40	45
Other	(2)	—	(4)	6
Total investment income	764	928	1,532	1,772
Less: Investment expenses	79	159	185	308
Net investment income	\$ 685	\$ 769	\$ 1,347	\$ 1,464

Affiliated investment income, included in cash, cash equivalents and short-term investments in the table above, related to the Company's investment in affiliated partnerships, Metropolitan Money Market Pool and MetLife Intermediate Income Pool, was \$2 million and \$7 million for the three months and six months ended June 30, 2008, respectively, and \$5 million and \$13 million for the three months and six months ended June 30, 2007, respectively.

Affiliated investment expenses included in the table above were \$8 million and \$17 million for the three months and six months ended June 30, 2008, respectively, and \$9 million and \$18 million for the three months and six months ended June 30, 2007, respectively.

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Notes to Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

Net Investment Gains (Losses)

The components of net investment gains (losses) are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Fixed maturity securities	\$ (92)	\$ (121)	\$ (142)	\$ (163)
Equity securities	(3)	(5)	(12)	(2)
Mortgage and consumer loans	(9)	1	(32)	—
Real estate and real estate joint ventures	—	1	(2)	1
Other limited partnership interests	—	(1)	(2)	(13)
Derivatives	(25)	37	170	34
Other	3	(38)	(151)	(58)
Net investment gains (losses)	<u>\$ (126)</u>	<u>\$ (126)</u>	<u>\$ (171)</u>	<u>\$ (201)</u>

Affiliated net investment gains (losses) of (\$303) million and \$232 million for the three months and six months ended June 30, 2008, respectively, and (\$73) million and (\$103) million for the three months and six months ended June 30, 2007, respectively, are related to affiliated derivative transactions included within derivatives in the table above.

The Company periodically disposes of fixed maturity and equity securities at a loss. Generally, such losses are insignificant in amount or in relation to the cost basis of the investment, are attributable to declines in fair value occurring in the period of the disposition or are as a result of management's decision to sell securities based on current conditions or the Company's need to shift the portfolio to maintain its portfolio management objectives.

Losses from fixed maturity and equity securities deemed other-than-temporarily impaired, included within net investment gains (losses), were \$62 million and \$79 million for the three months and six months ended June 30, 2008, respectively, and \$14 million and \$16 million for the three months and six months ended June 30, 2007, respectively.

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Notes to Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

3. Derivative Financial Instruments

Types of Derivative Financial Instruments

The following table presents the notional amount and current market or fair value of derivative financial instruments, excluding embedded derivatives, held at:

	June 30, 2008			December 31, 2007		
	Notional Amount	Current Market or Fair Value		Notional Amount	Current Market or Fair Value	
		Assets	Liabilities		Assets	Liabilities
			(In millions)			
Interest rate swaps	\$ 7,928	\$ 357	\$ 122	\$12,437	\$ 336	\$ 144
Interest rate floors	12,071	154	—	12,071	159	—
Interest rate caps	4,021	6	—	10,715	7	—
Financial futures	1,202	—	1	721	2	5
Foreign currency swaps	3,728	940	141	3,716	788	97
Foreign currency forwards	175	—	2	167	2	—
Options	—	95	—	—	85	1
Financial forwards	208	11	2	1,108	20	—
Credit default swaps	517	2	7	1,013	5	3
Total	<u>\$29,850</u>	<u>\$1,565</u>	<u>\$ 275</u>	<u>\$41,948</u>	<u>\$1,404</u>	<u>\$ 250</u>

The above table does not include notional amounts for equity futures, equity variance swaps, and equity options. At June 30, 2008 and December 31, 2007, the Company owned 194 and 403 equity future contracts, respectively. Fair values of equity futures are included in financial futures in the preceding table. At both June 30, 2008 and December 31, 2007, the Company owned 122,153 equity variance swaps. Fair values of equity variance swaps are included in financial forwards in the preceding table. At June 30, 2008 and December 31, 2007, the Company owned 756,100 and 821,100 equity options, respectively. Fair values of equity options are included in options in the preceding table.

This information should be read in conjunction with Note 5 of the Notes to Consolidated Financial Statements included in the 2007 Annual Report.

The Company commenced the use of inflation swaps during the first quarter of 2008. Inflation swaps are used as an economic hedge to reduce inflation risk generated from inflation-indexed liabilities. Inflation swaps are included in interest rate swaps in the preceding table.

Hedging

The following table presents the notional amount and fair value of derivatives by type of hedge designation at:

	June 30, 2008			December 31, 2007		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
			(In millions)			
Fair value	\$ 775	\$ 30	\$ 7	\$ 651	\$ 20	\$ 3
Cash flow	486	125	6	486	85	3
Non-qualifying	28,589	1,410	262	40,811	1,299	244
Total	<u>\$29,850</u>	<u>\$1,565</u>	<u>\$ 275</u>	<u>\$41,948</u>	<u>\$1,404</u>	<u>\$ 250</u>

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The following table presents the settlement payments recorded in income for the:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Qualifying hedges:				
Net investment income	\$ (1)	\$ —	\$ (1)	\$ —
Interest credited to policyholder account balances	2	(2)	3	(3)
Non-qualifying hedges:				
Net investment gains (losses)	7	18	26	35
Total	<u>\$ 8</u>	<u>\$ 16</u>	<u>\$ 28</u>	<u>\$ 32</u>

Fair Value Hedges

The Company designates and accounts for the following as fair value hedges when they have met the requirements of SFAS 133: (i) interest rate swaps to convert fixed rate investments to floating rate investments; and (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated investments and liabilities.

The Company recognized net investment gains (losses) representing the ineffective portion of all fair value hedges as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Changes in the fair value of derivatives	\$ (13)	\$ (1)	\$ 9	\$ —
Changes in the fair value of the items hedged	12	(4)	(9)	(5)
Net ineffectiveness of fair value hedging activities	<u>\$ (1)</u>	<u>\$ (5)</u>	<u>\$ —</u>	<u>\$ (5)</u>

All components of each derivative's gain or loss were included in the assessment of hedge effectiveness. There were no instances in which the Company discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges when they have met the requirements of SFAS 133: (i) interest rate swaps to convert floating rate investments to fixed rate investments; (ii) interest rate swaps to convert floating rate liabilities to fixed rate liabilities; and (iii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities.

For the three months and six months ended June 30, 2008 and 2007, the Company did not recognize any net investment gains (losses) which represented the ineffective portion of all cash flow hedges. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness. For the three months and six months ended June 30, 2008 and 2007, there were no instances in which the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date or in the additional time period permitted by SFAS 133. There were no hedged forecasted transactions, other than the receipt or payment of variable interest payments, for the three months and six months ended June 30, 2008 and 2007.

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The following table presents the components of other comprehensive loss before income tax, related to cash flow hedges:

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(In millions)			
Other comprehensive loss balance at the beginning of the period	\$ (19)	\$ (11)	\$ (13)	\$ (9)
Gains (losses) deferred in other comprehensive loss on the effective portion of cash flow hedges	2	6	36	9
Amounts reclassified to net investment gains (losses)	3	(6)	(37)	(11)
Other comprehensive loss balance at the end of the period	<u>\$ (14)</u>	<u>\$ (11)</u>	<u>\$ (14)</u>	<u>\$ (11)</u>

At June 30, 2008, \$110 million of the deferred net gain on derivatives accumulated in other comprehensive loss is expected to be reclassified to earnings within the next 12 months.

Non-qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company enters into the following derivatives that do not qualify for hedge accounting under SFAS 133 or for purposes other than hedging: (i) interest rate swaps, purchased caps and floors, and interest rate futures to economically hedge its exposure to interest rates; (ii) foreign currency forwards, swaps and option contracts to economically hedge its exposure to adverse movements in exchange rates; (iii) credit default swaps to economically hedge exposure to adverse movements in credit; (iv) equity futures, equity index options and equity variance swaps to economically hedge liabilities embedded in certain variable annuity products; (v) credit default swaps to synthetically create investments; (vi) financial forwards to buy and sell securities; (vii) basis swaps to better match the cash flows of assets and related liabilities; and (viii) inflation swaps to reduce risk generated from inflation-indexed liabilities.

The following table presents changes in fair value related to derivatives that do not qualify for hedge accounting:

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(In millions)			
Net investment gains (losses), excluding embedded derivatives	\$ (14)	\$ 9	\$ 21	\$ (21)

Embedded Derivatives

The Company has certain embedded derivatives that are required to be separated from their host contracts and accounted for as derivatives. These host contracts principally include: variable annuities with guaranteed minimum withdrawal, guaranteed minimum accumulation and certain guaranteed minimum income riders; affiliated reinsurance contracts related to guaranteed minimum withdrawal, guaranteed minimum accumulation, and certain guaranteed minimum income riders and ceded reinsurance written on a funds withheld basis.

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The following table presents the fair value of the Company's embedded derivatives at:

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
	(In millions)	
Net embedded derivatives within asset host contracts:		
Ceded guaranteed minimum benefit riders	\$ 652	\$ 382
Net embedded derivatives within asset host contracts	<u>\$ 652</u>	<u>\$ 382</u>
Net embedded derivatives within liability host contracts:		
Direct guaranteed minimum benefit riders	\$ 409	\$ 257
Other	(16)	—
Net embedded derivatives within liability host contracts	<u>\$ 393</u>	<u>\$ 257</u>

The following table presents changes in fair value related to embedded derivatives:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(In millions)			
Net investment gains (losses)	\$ (45)	\$ 16	\$ 94	\$ 26

Credit Risk

The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date. The credit exposure of the Company's derivative transactions is represented by the fair value of contracts with a net positive fair value at the reporting date.

The Company manages its credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties, maintaining collateral arrangements and through the use of master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. Because exchange-traded futures are effected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivative instruments.

The Company enters into various collateral arrangements, which require both the pledging and accepting of collateral in connection with its derivative instruments. As of June 30, 2008 and December 31, 2007, the Company was obligated to return cash collateral under its control of \$390 million and \$370 million, respectively. This unrestricted cash collateral is included in cash and cash equivalents and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. As of June 30, 2008 and December 31, 2007, the Company had also accepted collateral consisting of various securities with a fair market value of \$658 million and \$526 million, respectively, which are held in separate custodial accounts. The Company is permitted by contract to sell or repledge this collateral, but as of June 30, 2008 and December 31, 2007, none of the collateral had been sold or repledged.

In addition, the Company has exchange-traded futures, which require the pledging of collateral. As of June 30, 2008 and December 31, 2007, the Company pledged collateral of \$10 million and \$25 million, respectively, which is included in fixed maturity securities. The counterparties are permitted by contract to sell or repledge this collateral. As of June 30, 2008 the Company provided cash collateral of \$3 million which is included in premiums and other receivables in the consolidated balance sheet. As of December 31, 2007 the Company did not provide any cash collateral.

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4. Insurance

Insurance Liabilities

Insurance liabilities are as follows:

	<u>Future Policy Benefits</u>		<u>Policyholder Account Balances</u>		<u>Other Policyholder Funds</u>	
	<u>June 30, 2008</u>	<u>December 31, 2007</u>	<u>June 30, 2008</u>	<u>December 31, 2007</u>	<u>June 30, 2008</u>	<u>December 31, 2007</u>
	(In millions)					
Individual						
Traditional life	\$ 929	\$ 921	\$ —	\$ —	\$ 51	\$ 50
Universal & variable life	615	575	5,219	4,995	1,565	1,496
Annuities	998	944	15,008	15,058	34	36
Other	—	—	57	47	—	—
Institutional						
Group life	215	220	1,057	763	4	5
Retirement & savings	11,975	12,040	11,160	12,780	—	—
Non-medical health & other	300	303	—	—	2	2
Corporate & Other (1)	4,689	4,573	281	172	180	188
Total	<u>\$19,721</u>	<u>\$ 19,576</u>	<u>\$32,782</u>	<u>\$ 33,815</u>	<u>\$1,836</u>	<u>\$ 1,777</u>

(1) Corporate & Other includes intersegment eliminations.

Affiliated insurance liabilities included in the table above include reinsurance assumed. Affiliated future policy benefits, included in the table above, were \$32 million and \$29 million at June 30, 2008 and December 31, 2007, respectively. Affiliated policyholder account balances, included in the table above, were \$144 million and \$97 million at June 30, 2008 and December 31, 2007, respectively. Affiliated other policyholder funds, included in the table above, were \$1.3 billion at both June 30, 2008 and December 31, 2007.

5. Long-term Debt — Affiliated

In June 2008, MLI-USA repaid surplus notes of \$400 million and \$35 million to MetLife and MetLife Investors Group, Inc., respectively.

In April 2008, MetLife Insurance Company of Connecticut issued a surplus note with a principal amount of \$750 million and an interest rate of 8.595%, to MetLife Capital Trust X, an affiliate.

6. Contingencies, Commitments and Guarantees

Contingencies

Litigation

The Company is a defendant in a number of litigation matters. In some of the matters, large and/or indeterminate amounts, including punitive and treble damages, are sought. Modern pleading practice in the United States permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variability in pleadings, together with the actual experience of the Company in litigating or resolving through

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settlement numerous claims over an extended period of time, demonstrate to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value. Thus, unless stated below, the specific monetary relief sought is not noted.

Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time may normally be inherently impossible to ascertain with any degree of certainty. Inherent uncertainties can include how fact finders will view individually and in their totality documentary evidence, the credibility and effectiveness of witnesses' testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

On a quarterly and annual basis, the Company reviews relevant information with respect to litigation and contingencies to be reflected in the Company's consolidated financial statements. The review includes senior legal and financial personnel. Estimates of possible losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of June 30, 2008.

The Company has faced numerous claims, including class action lawsuits, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products. The Company continues to vigorously defend against the claims in all pending matters. Some sales practices claims have been resolved through settlement. Other sales practices claims have been won by dispositive motions or have gone to trial. Most of the current cases seek substantial damages, including in some cases punitive and treble damages and attorneys' fees. Additional litigation relating to the Company's marketing and sales of individual life insurance, annuities, mutual funds or other products may be commenced in the future.

Various litigation, claims and assessments against the Company, in addition to those discussed previously and those otherwise provided for in the Company's financial statements, have arisen in the course of the Company's business, including, but not limited to, in connection with its activities as an insurer, employer, investor, investment advisor or taxpayer. Further, federal, state or industry regulatory or governmental authorities may conduct investigations, serve subpoenas or make other inquiries concerning a wide variety of issues, including the Company's compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings or provide reasonable ranges of potential losses. In some of the matters referred to previously, large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's net income or cash flows in particular quarterly or annual periods.

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Commitments

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were \$1.6 billion and \$1.4 billion at June 30, 2008 and December 31, 2007, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were \$322 million and \$626 million at June 30, 2008 and December 31, 2007, respectively.

Commitments to Fund Bank Credit Facilities and Private Corporate Bond Investments

The Company commits to lend funds under bank credit facilities and private corporate bond investments. The amounts of these unfunded commitments were \$385 million and \$488 million at June 30, 2008 and December 31, 2007, respectively.

Other Commitments

The Company has entered into collateral arrangements with affiliates which require the transfer of collateral in connection with secured demand notes. At both June 30, 2008 and December 31, 2007, the Company had agreed to fund up to \$60 million of cash upon the request of an affiliate and had transferred collateral consisting of various securities with a fair market value of \$73 million to custody accounts to secure the notes. The counterparties are permitted by contract to sell or repledge this collateral.

Guarantees

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties pursuant to which it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities, and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation, such as in the case of MetLife International Insurance Company, Ltd. ("MLII"), a former affiliate, discussed below, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future.

The Company has provided a guarantee on behalf of MLII that is triggered if MLII cannot pay claims because of insolvency, liquidation or rehabilitation. Life insurance coverage in-force, representing the maximum potential obligation under this guarantee, was \$424 million and \$434 million at June 30, 2008 and December 31, 2007, respectively. The Company does not hold any collateral related to this guarantee, but has recorded a liability of \$1 million that was based on the total account value of the guaranteed policies plus the amounts retained per policy at both June 30, 2008 and December 31, 2007. The remainder of the risk was ceded to external reinsurers.

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In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these indemnities in the future.

In connection with synthetically created investment transactions, the Company writes credit default swap obligations that generally require payment of principal outstanding due in exchange for the referenced credit obligation. If a credit event occurs, as defined by the contract, the Company's maximum amount at risk, assuming the value of the referenced credits becomes worthless, was \$351 million at June 30, 2008. The credit default swaps expire at various times during the next five years.

7. Comprehensive Loss

The components of comprehensive loss are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Net income	\$ 175	\$ 187	\$ 285	\$ 343
Other comprehensive loss:				
Unrealized gains (losses) on derivative instruments, net of income tax	3	—	(1)	(1)
Unrealized investment gains (losses), net of related offsets and income tax	(323)	(428)	(718)	(354)
Foreign currency translation adjustments, net of income tax	4	3	(3)	6
Other comprehensive loss	(316)	(425)	(722)	(349)
Comprehensive loss	<u>\$ (141)</u>	<u>\$ (238)</u>	<u>\$ (437)</u>	<u>\$ (6)</u>

8. Other Expenses

Information on other expenses is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Compensation	\$ 29	\$ 34	\$ 57	\$ 60
Commissions	179	192	349	367
Interest and debt issue costs	23	9	34	17
Amortization of DAC and VOBA	84	140	371	332
Capitalization of DAC	(204)	(206)	(381)	(371)
Rent, net of sublease income	1	1	2	2
Insurance tax	10	14	20	22
Other	178	140	305	251
Total other expenses	<u>\$ 300</u>	<u>\$ 324</u>	<u>\$ 757</u>	<u>\$ 680</u>

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See Note 12 for discussion of affiliated expenses included in the table above.

9. Business Segment Information

The Company has two operating segments, Individual and Institutional, as well as Corporate & Other. These segments are managed separately because they provide different products and services, require different strategies or have different technology requirements.

Individual offers a wide variety of protection and asset accumulation products, including life insurance, annuities and mutual funds. Institutional offers a broad range of group insurance and retirement & savings products and services, including group life insurance and other insurance products and services. Corporate & Other contains the excess capital not allocated to the business segments, various start-up entities and run-off business, the Company's ancillary international operations, interest expense related to the majority of the Company's outstanding debt, expenses associated with certain legal proceedings and the elimination of intersegment transactions.

Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in MetLife's businesses. As a part of the economic capital process, a portion of net investment income is credited to the segments based on the level of allocated equity.

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the three months and six months ended June 30, 2008 and 2007. The accounting policies of the segments are the same as those of the Company, except for the method of capital allocation and the accounting for gains (losses) from intercompany sales, which are eliminated in consolidation. The Company allocates equity to each segment based upon the economic capital model used by MetLife that allows MetLife and the Company to effectively manage their capital. The Company evaluates the performance of each segment based upon net income, excluding net investment gains (losses), net of income tax, and adjustments related to net investment gains (losses), net of income tax.

For the Three Months Ended June 30, 2008	<u>Individual</u>	<u>Institutional</u>	<u>Corporate & Other</u>	<u>Total</u>
	(In millions)			
Statement of Income:				
Premiums	\$ 38	\$ 22	\$ 5	\$ 65
Universal life and investment-type product policy fees	365	5	2	372
Net investment income	286	354	45	685
Other revenues	56	3	—	59
Net investment gains (losses)	(107)	(19)	—	(126)
Policyholder benefits and claims	82	131	10	223
Interest credited to policyholder account balances	173	115	—	288
Other expenses	254	13	33	300
Income from continuing operations before provision for income tax	129	106	9	244
Provision for income tax	46	36	(13)	69
Net income	<u>\$ 83</u>	<u>\$ 70</u>	<u>\$ 22</u>	<u>\$ 175</u>

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<u>For the Three Months Ended June 30, 2007</u>	<u>Individual</u>	<u>Institutional</u> (In millions)	<u>Corporate & Other</u>	<u>Total</u>
Statement of Income:				
Premiums	\$ 71	\$ 6	\$ 6	\$ 83
Universal life and investment-type product policy fees	346	8	—	354
Net investment income	278	384	107	769
Other revenues	61	2	—	63
Net investment gains (losses)	(50)	(70)	(6)	(126)
Policyholder benefits and claims	113	120	8	241
Interest credited to policyholder account balances	155	164	1	320
Other expenses	296	12	16	324
Income from continuing operations before provision for income tax	142	34	82	258
Provision for income tax	51	12	8	71
Net income	<u>\$ 91</u>	<u>\$ 22</u>	<u>\$ 74</u>	<u>\$ 187</u>

<u>For the Six Months Ended June 30, 2008</u>	<u>Individual</u>	<u>Institutional</u> (In millions)	<u>Corporate & Other</u>	<u>Total</u>
Statement of Income:				
Premiums	\$ 99	\$ 110	\$ 11	\$ 220
Universal life and investment-type product policy fees	754	16	2	772
Net investment income	565	717	65	1,347
Other revenues	112	3	—	115
Net investment gains (losses)	28	(222)	23	(171)
Policyholder benefits and claims	205	325	18	548
Interest credited to policyholder account balances	351	245	—	596
Other expenses	685	27	45	757
Income from continuing operations before provision for income tax	317	27	38	382
Provision for income tax	110	9	(22)	97
Net income	<u>\$ 207</u>	<u>\$ 18</u>	<u>\$ 60</u>	<u>\$ 285</u>

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<u>For the Six Months Ended June 30, 2007</u>	<u>Individual</u>	<u>Institutional</u>	<u>Corporate & Other</u>	<u>Total</u>
	(In millions)			
Statement of Income:				
Premiums	\$ 147	\$ 12	\$ 12	\$ 171
Universal life and investment-type product policy fees	663	19	—	682
Net investment income	547	739	178	1,464
Other revenues	117	7	—	124
Net investment gains (losses)	(67)	(127)	(7)	(201)
Policyholder benefits and claims	214	235	17	466
Interest credited to policyholder account balances	319	322	1	642
Other expenses	634	22	24	680
Income from continuing operations before provision for income tax	240	71	141	452
Provision for income tax	84	25	4	113
Income from continuing operations	156	46	137	339
Income from discontinued operations, net of income tax	—	4	—	4
Net income	<u>\$ 156</u>	<u>\$ 50</u>	<u>\$ 137</u>	<u>\$ 343</u>

The following table presents total assets with respect to the Company's segments, as well as Corporate & Other, at:

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
	(In millions)	
Individual	\$ 77,856	\$ 82,214
Institutional	32,084	35,154
Corporate & Other	13,126	11,193
Total	<u>\$ 123,066</u>	<u>\$ 128,561</u>

Net investment income and net investment gains (losses) are based upon the actual results of each segment's specifically identifiable asset portfolio adjusted for allocated equity. Other costs are allocated to each of the segments based upon: (i) a review of the nature of such costs; (ii) time studies analyzing the amount of employee compensation costs incurred by each segment; and (iii) cost estimates included in the Company's product pricing.

Revenues derived from any customer did not exceed 10% of consolidated revenues for the three months and six months ended June 30, 2008 and 2007. Substantially all of the Company's revenues originated in the United States.

10. Discontinued Operations

The Company actively manages its real estate portfolio with the objective of maximizing earnings through selective acquisitions and dispositions. Income related to real estate classified as held-for-sale or sold is presented in discontinued operations. These assets are carried at the lower of depreciated cost or fair value less expected disposition costs. There was no carrying value of real estate related to discontinued operations at both June 30, 2008 and December 31, 2007.

The Company had no discontinued operations for the three months and six months ended June 30, 2008. In the Institutional segment, the Company had net investment income of \$1 million, net investment gains of \$5 million and

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income tax of \$2 million, related to discontinued operations resulting in income from discontinued operations of \$4 million, net of income tax, for the six months ended June 30, 2007. The Company did not have investment income or expense related to discontinued operations for the three months ended June 30, 2007.

11. Fair Value

Assets and Liabilities Measured at Fair Value

Recurring Fair Value Measurements

The fair value of the Company's financial instruments which are measured at fair value in the consolidated financial statements is estimated as follows:

- *Fixed Maturity and Equity Securities and Short-Term Investments* — When available, the estimated fair value of the Company's fixed maturity and equity securities as well as certain short-term investments are based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Company's securities holdings and valuation of these securities does not involve management judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies. The market standard valuation methodologies utilized include: discounted cash flow methodologies, matrix pricing or other similar techniques. The assumptions and inputs in applying these market standard valuation methodologies include, but are not limited to: interest rates, credit standing of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, sinking fund requirements, maturity, estimated duration and management's assumptions regarding liquidity and estimated future cash flows. Accordingly, the estimated fair values are based on available market information and management's judgments about financial instruments.

The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Such observable inputs include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market.

When observable inputs are not available, the market standard valuation methodologies for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management judgment or estimation, and cannot be supported by reference to market activity. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and consistent with what other market participants would use when pricing such securities.

The use of different methodologies, assumptions and inputs may have a material effect on the estimated fair values of the Company's securities holdings.

- *Derivatives* — The fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives or through the use of pricing models for over-the-counter derivatives. The determination of fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be consistent with what other market participants would use when pricing the instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk (including the counterparties to the contract), volatility, liquidity and changes in estimates and assumptions used in the pricing models.

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The significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant inputs that are observable generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain over-the-counter derivatives may rely on inputs that are significant to the fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. Significant inputs that are unobservable generally include: broker quotes, credit correlation assumptions, references to emerging market currencies and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility or other relevant market measure. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and consistent with what other market participants would use when pricing such instruments.

The credit risk of both the counterparty and the Company are considered in determining the fair value for all over-the-counter derivatives after taking into account the effects of netting agreements and collateral arrangements. Most inputs for over-the-counter derivatives are mid market inputs but, in certain cases, bid level inputs are used when they are deemed more representative of exit value.

The use of different methodologies, assumptions and inputs may have a material effect on the estimated fair values of the Company's derivatives and could materially affect net income.

- *Embedded Derivatives* — Embedded derivatives principally include certain direct, assumed and ceded variable annuity riders, and embedded derivatives related to funds withheld on ceded reinsurance. Embedded derivatives are recorded in the financial statements at fair value with changes in fair value adjusted through net income.

The Company issues certain variable annuity products with guaranteed minimum benefit riders. These include guaranteed minimum withdrawal benefit ("GMWB") riders, guaranteed minimum accumulation benefit ("GMAB") riders, and certain guaranteed minimum income benefit ("GMIB") riders. GMWB, GMAB and certain GMIB riders are embedded derivatives, which are measured at fair value separately from the host variable annuity contract, with changes in fair value reported in net investment gains (losses). These embedded derivatives are classified within policyholder account balances. The fair value for these riders is estimated using the present value of future benefits minus the present value of future fees using actuarial and capital market assumptions related to the projected cash flows over the expected lives of the contracts. A risk neutral valuation methodology is used under which the cash flows from the riders are projected under multiple capital market scenarios using observable risk free rates. Effective January 1, 2008, upon adoption of SFAS 157, the valuation of these riders now includes an adjustment for the Company's own credit and risk margins for non-capital market inputs. The Company's own credit adjustment is determined taking into consideration publicly available information relating to the Company's debt as well as its claims paying ability. Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment. These riders may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates; changes in the Company's own credit standing; and variations in actuarial assumptions regarding policyholder behavior and risk margins related to non-capital market inputs may result in significant fluctuations in the fair value of the riders that could materially affect net income.

The Company cedes the risks associated with certain of the GMIB, GMAB and GMWB riders described in the preceding paragraph to an affiliated reinsurance company. These reinsurance contracts contain embedded derivatives which are included in premiums and other receivables with changes in fair value

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reported in net investment gains (losses). The value of the embedded derivatives on the ceded risks is determined using a methodology consistent with that described previously for the riders directly written by the Company.

In addition to ceding risks associated with riders that are accounted for as embedded derivatives, the Company also cedes to the same affiliated reinsurance company certain directly written GMIB riders that are accounted for as insurance (i.e. not as embedded derivatives) but where the reinsurance contract contains an embedded derivative. These embedded derivatives are included in premiums and other receivables with changes in fair value reported in net investment gains (losses). The value of the embedded derivatives on these ceded risks is determined using a methodology consistent with that described previously for the riders directly written by the Company. Because the direct rider is not accounted for at fair value, significant fluctuations in net income may occur as the change in fair value of the embedded derivative on the ceded risk is being recorded in net income without a corresponding and offsetting change in fair value of the direct rider.

The Company has assumed risks related to guaranteed minimum benefit riders from an affiliated joint venture under a reinsurance contract. These risks are fully retroceded to the same affiliated reinsurance company. Both the assumed and retroceded contracts contain embedded derivatives. The embedded derivatives associated with the assumed risks are included in policyholder account balances and the embedded derivatives associated with the retroceded risks are included in premiums and other receivables with changes in fair value of both reported in net investment gains (losses). The values of the embedded derivatives in both the assumed and retroceded contracts are determined in a similar manner and using a methodology consistent with that described previously for the riders directly written by the Company.

The fair value of the embedded derivatives within funds withheld at interest related to certain ceded reinsurance is determined based on the change in fair value of the underlying assets held by the Company in a reference portfolio backing the funds withheld liability. The fair value of the underlying assets is determined as described above in “— Fixed Maturity and Equity Securities and Short-Term Investments.” The fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities with changes in fair value recorded in net investment gains (losses). Changes in the credit spreads on the underlying assets, interest rates and market volatility may result in significant fluctuations in the fair value of these embedded derivatives that could materially affect net income.

The accounting for embedded derivatives is complex and interpretations of the primary accounting standards continue to evolve in practice. If interpretations change, there is a risk that features previously not bifurcated may require bifurcation and reporting at fair value in the unaudited interim condensed consolidated financial statements and respective changes in fair value could materially affect net income.

- *Separate Account Assets* — Separate account assets are carried at fair value and reported as a summarized total on the consolidated balance sheet in accordance with Statement of Position (“SOP”) 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* (“SOP 03-1”). The fair value of separate account assets are based on the fair value of the underlying assets owned by the separate account. Assets within the Company’s separate accounts include: mutual funds, fixed maturity securities, equity securities, derivatives, other limited partnership interests, short-term investments and cash and cash equivalents. The fair value of mutual funds is based upon quoted prices or reported net assets values provided by the fund manager and are reviewed by management to determine whether such values require adjustment to represent exit value. The fair values of fixed maturity securities, equity securities, derivatives, short-term investments and cash and cash equivalents held by separate accounts are determined on a basis consistent with the methodologies described herein for similar financial instruments held within the general account. Other limited partnership interests are valued giving consideration to the value of the underlying holdings of the partnerships and by applying a premium or

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discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables which may impact the exit value of the particular partnership interest.

The fair value of assets and liabilities measured at fair value on a recurring basis and their corresponding fair value hierarchy, are summarized as follows:

	June 30, 2008			
	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate securities	\$ —	\$ 14,435	\$ 1,427	\$ 15,862
Residential mortgage-backed securities	—	11,394	134	11,528
Foreign corporate securities	—	4,784	1,328	6,112
U.S. Treasury/agency securities	914	2,597	49	3,560
Commercial mortgage-backed securities	—	2,808	207	3,015
Asset-backed securities	—	1,394	765	2,159
Foreign government securities	—	703	14	717
State and political subdivision securities	—	691	50	741
Total fixed maturity securities	914	38,806	3,974	43,694
Equity securities:				
Non-redeemable preferred stock	—	200	442	642
Common stock	152	70	29	251
Total equity securities	152	270	471	893
Short-term investments (1)	430	164	—	594
Derivative assets (2)	—	1,457	108	1,565
Net embedded derivatives within asset host contracts (3)	—	—	652	652
Separate account assets (4)	48,210	193	176	48,579
Total assets	\$ 49,706	\$ 40,890	\$ 5,381	\$ 95,977
Liabilities				
Derivative liabilities (2)	\$ 1	\$ 270	\$ 4	\$ 275
Net embedded derivatives within liability host contracts (3)	—	—	393	393
Total liabilities	\$ 1	\$ 270	\$ 397	\$ 668

(1) Short-term investments as presented in the table above differ from the amounts presented in the consolidated balance sheet because certain short-term investments are not measured at fair value (e.g. time deposits, money market funds, etc.).

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- (2) Derivative assets are presented within other invested assets and derivatives liabilities are presented within other liabilities. The amounts are presented gross in the table above to reflect the presentation in the consolidated balance sheet, but are presented net for purposes of the rollforward in the following table.
- (3) Net embedded derivatives within asset host contracts are presented within premiums and other receivables. Net embedded derivatives within liability host contracts are presented within policyholder account balances and other liabilities.
- (4) Separate account assets are measured at fair value. Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders whose liability is reflected within separate account liabilities. Separate account liabilities are set equal to the fair value of separate account assets as prescribed by SOP 03-1.

The Company has categorized its assets and liabilities into the three-level fair value hierarchy, as defined in Note 1, based upon the priority of the inputs to the respective valuation technique. The following summarizes the types of assets and liabilities included within the three-level fair value hierarchy presented in the preceding table.

- | | |
|---------|---|
| Level 1 | This category includes certain U.S. Treasury and agency fixed maturity securities, exchange-traded common stock, and certain short-term money market securities. As it relates to derivatives, this level includes financial futures including exchange-traded equity and interest rate futures. Separate account assets classified within this level principally include mutual funds. Also included are assets held within separate accounts which are similar in nature to those classified in this level for the general account. |
| Level 2 | This category includes fixed maturity securities priced principally through independent pricing services. These fixed maturity securities include most U.S. Treasury and agency securities as well as the majority of U.S. and foreign corporate securities, residential mortgage-backed securities, commercial mortgage-backed securities, state and political subdivision securities, foreign government securities, and asset-backed securities. Equity securities classified as Level 2 securities consist principally of non-redeemable preferred stock priced principally through independent pricing services and certain equity securities where market quotes are available but are not considered actively traded. Short-term investments included within Level 2 are of a similar nature to these fixed maturity and equity securities. As it relates to derivatives, this level includes all types of derivative instruments utilized by the Company with the exception of exchange-traded futures included within Level 1 and those derivative instruments with unobservable inputs as described in Level 3. Separate account assets classified within this level are generally similar to those classified within this level for the general account. |
| Level 3 | This category includes fixed maturity securities priced principally through independent broker quotes or market standard valuation methodologies. This level consists of less liquid fixed maturity securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies including: U.S. and foreign corporate securities — including below investment grade private placements; residential mortgage-backed securities; asset backed securities — including all of those supported by sub-prime mortgage loans. Equity securities classified as Level 3 securities consist principally of common stock of privately held companies and non-redeemable preferred stock where there has been very limited trading activity or where less price transparency exists around the inputs to the valuation. As it relates to derivatives this category includes: financial forwards including swap spread locks with maturities which extend beyond observable periods; equity variance swaps with unobservable volatility inputs; credit default swaps which are priced through broker quotes; equity options with unobservable volatility inputs; and interest rate caps and floors referencing unobservable yield curves and/or which include liquidity and volatility adjustments. Separate account assets classified within this level are generally similar to those classified within this level for the general account; however, they also include other limited partnership interests. Embedded derivatives included within this level include embedded |

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derivatives associated with variable annuity riders and embedded derivatives related to funds withheld on ceded reinsurance.

A rollforward of the fair value measurements for all assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs for the three months and six months ended June 30, 2008 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							Balance, End of Period
	Balance, December 31, 2007	Impact of SFAS 157 Adoption (1)	Balance, Beginning of Period	Total Realized/Unrealized Gains (Losses) Included in:		Purchases, Sales, Issuances and Settlements (4)	Transfer In and/or Out of Level 3 (5)	
				Earnings (2, 3)	Other Comprehensive Loss			
(In millions)								
For the Six Months Ended								
June 30, 2008:								
Fixed maturity securities	\$ 4,602	\$ —	\$ 4,602	\$ (43)	\$ (258)	\$ (285)	\$ (42)	\$ 3,974
Equity securities	556	—	556	(9)	(43)	(25)	(8)	471
Net derivatives (6)	108	—	108	25	—	(29)	—	104
Separate account assets (7)	183	—	183	(5)	—	—	(2)	176
Net embedded derivatives (8)	125	92	217	2	—	40	—	259
For the Three Months Ended								
June 30, 2008:								
Fixed maturity securities			4,313	(26)	(14)	(42)	(257)	3,974
Equity securities			501	(4)	1	(26)	(1)	471
Net derivatives (6)			155	(34)	—	(14)	(3)	104
Separate account assets (7)			174	3	—	—	(1)	176
Net embedded derivatives (8)			271	(45)	—	33	—	259

- (1) Impact of SFAS 157 adoption represents the amount recognized in earnings as a change in estimate upon the adoption of SFAS 157 associated with Level 3 financial instruments held at January 1, 2008. Such amount was offset by a reduction to DAC of \$30 million resulting in a net impact of \$62 million. This net impact of \$62 million along with a \$3 million reduction in the fair value of Level 2 freestanding derivatives, results in a total impact of adoption of SFAS 157 of \$59 million.
- (2) Amortization of premium/discount is included within net investment income which is reported within the earnings caption of total gains/(losses). Impairments are included within net investment gains (losses) which is reported within the earnings caption of total gains/(losses). Lapses associated with embedded derivatives are included with the earnings caption of total gains/(losses).
- (3) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.
- (4) The amount reported within purchases, sales, issuances and settlements is the purchase/issuance price (for purchases and issuances) and the sales/settlement proceeds (for sales and settlements) based upon the actual date purchased/issued or sold/settled. Items purchased/issued and sold/settled in the same period are excluded from the rollforward. For embedded derivatives, attributed fees are included within this caption along with settlements, if any.
- (5) Total gains and losses (in earnings and other comprehensive income (loss)) are calculated assuming transfers in (out) of Level 3 occurred at the beginning of the period. Items transferred in and out in the same period are excluded from the rollforward.
- (6) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.
- (7) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders whose liability is reflected within separate account liabilities.

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- (8) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.
- (9) Amounts presented do not reflect any associated hedging activities. Actual earnings associated with Level 3, inclusive of hedging activities, could differ materially.

The table below summarizes both realized and unrealized gains and (losses) for the three months and six months ended June 30, 2008 due to changes in fair value recorded in earnings for Level 3 assets and liabilities:

	Total Gains and Losses		
	Classification of Realized/Unrealized		
	Gains (Losses) included in Earnings		
	Net Investment	Net Investment	Total
	Income	Gains (Losses)	
	(In millions)		
For the Six Months Ended June 30, 2008:			
Fixed maturity securities	\$ 1	\$ (44)	\$(43)
Equity securities	—	(9)	(9)
Net derivatives	—	25	25
Net embedded derivatives	—	2	2
For the Three Months Ended June 30, 2008:			
Fixed maturity securities	—	(26)	(26)
Equity securities	—	(4)	(4)
Net derivatives	—	(34)	(34)
Net embedded derivatives	—	(45)	(45)

The table below summarizes the portion of unrealized gains and (losses) recorded in earnings for the three months and six months ended June 30, 2008 for Level 3 assets and liabilities that are still held at June 30, 2008.

	Changes in Unrealized Gains (Losses)		
	Relating to Assets Held at June 30, 2008:		
	Net Investment	Net Investment	Total
	Income	Gains (Losses)	
	(In millions)		
For the Six Months Ended June 30, 2008:			
Fixed maturity securities	\$ 1	\$ (30)	\$(29)
Equity securities	—	(3)	(3)
Net derivatives	—	17	17
Net embedded derivatives	—	(4)	(4)
For the Three Months Ended June 30, 2008:			
Fixed maturity securities	—	(20)	(20)
Equity securities	—	(3)	(3)
Net derivatives	—	(27)	(27)
Net embedded derivatives	—	(49)	(49)

Nonrecurring Fair Value Measurements

Certain non-financial assets are measured at fair value on a nonrecurring basis (e.g. goodwill and other intangibles considered impaired).

At June 30, 2008, the Company held \$73 million in mortgage loans which are carried at fair value based on the value of the underlying collateral or broker quotes, if lower, all of which loans relate to impaired mortgage loans

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held-for-sale. These mortgage loans were recorded at fair value and represent a nonrecurring fair value measurement. The fair value is categorized as Level 3. Included within net investment gains (losses) for such mortgage loans are net impairments of \$9 million and \$14 million for the three months and six months ended June 30, 2008, respectively.

12. Related Party Transactions

Service Agreements

The Company has entered into various agreements with affiliates for services necessary to conduct its activities. Typical services provided under these agreements include management, policy administrative functions, personnel, investment advice and distribution services. Expenses and fees incurred with affiliates related to these agreements, recorded in other expenses, were \$173 million and \$318 million for the three months and six months ended June 30, 2008, respectively and \$126 million and \$235 million for the three months and six months ended June 30, 2007, respectively. See Note 2 for expenses related to investment advice under these agreements, recorded in net investment income.

The Company had net receivables from affiliates of \$19 million and net payables to affiliates of \$27 million at June 30, 2008 and December 31, 2007, respectively, excluding affiliated reinsurance balances discussed below.

Reinsurance Transactions

As disclosed in Note 9 of the Notes to Consolidated Financial Statements included in the 2007 Annual Report, on December 1, 2006, the Company acquired a block of structured settlement business from Texas Life Insurance Company ("Texas Life"), a wholly-owned subsidiary of MetLife, through an assumptive reinsurance agreement. During the six months ended June 30, 2007, the receivable from Texas Life related to premiums and other considerations of \$1.2 billion held at December 31, 2006, was settled with \$901 million of cash and \$304 million of fixed maturity securities.

The Company has reinsurance agreements with certain MetLife subsidiaries, including Metropolitan Life Insurance Company, Reinsurance Group of America, Incorporated, MetLife Reinsurance Company of South Carolina, Exeter Reassurance Company, Ltd., General American Life Insurance Company, Mitsui Sumitomo MetLife Insurance Co., Ltd. and MetLife Reinsurance Company of Vermont ("MRV"). At June 30, 2008 and December 31, 2007, the Company had reinsurance-related assets from these agreements of \$3.9 billion and \$3.4 billion, respectively. At June 30, 2008 and December 31, 2007, the Company had reinsurance-related liabilities from these agreements of \$2.1 billion and \$1.7 billion, respectively.

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The following table reflects related party reinsurance information:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Assumed premiums	\$ 2	\$ —	\$ 7	\$ 9
Assumed fees, included in universal life and investment-type product policy fees	\$ 34	\$ 38	\$ 78	\$ 63
Assumed benefits, included in policyholder benefits and claims	\$ 7	\$ 16	\$ 18	\$ 9
Assumed benefits, included in interest credited to policyholder account balances	\$ 14	\$ 13	\$ 28	\$ 27
Assumed acquisition costs, included in other expenses	\$ 7	\$ 8	\$ 29	\$ 25
Ceded premiums	\$ 26	\$ 8	\$ 48	\$ 14
Ceded fees, included in universal life and investment-type product policy fees	\$ 53	\$ 51	\$ 85	\$ 101
Interest earned on ceded reinsurance, included in other revenues	\$ 20	\$ 21	\$ 40	\$ 43
Ceded benefits, included in policyholder benefits and claims	\$ 58	\$ 24	\$ 110	\$ 49
Ceded benefits, included in interest credited to policyholder account balances	\$ 5	\$ —	\$ 9	\$ —
Interest costs on ceded reinsurance, included in other expenses	\$ 19	\$ 16	\$ 36	\$ 28

The Company has assumed risks related to guaranteed minimum benefit riders from an affiliated joint venture under a reinsurance contract. Such guaranteed minimum benefit riders are embedded derivatives and changes in their fair value are included within net investment gains (losses). The embedded derivatives assumed are included within policyholder account balances and were liabilities of \$144 million and \$97 million at June 30, 2008 and December 31, 2007, respectively. For the three months and six months ended June 30, 2008, net investment gains (losses) included \$186 million and (\$47) million, respectively, and for the three months and six months ended June 30, 2007, net investment gains (losses) included \$70 million and \$86 million, respectively, in changes in fair value of such embedded derivatives. These risks have been retroceded in full to another affiliate under a retrocessional agreement. The ceded embedded derivatives are included within premiums and other receivables. The assumption is offset by the retrocession resulting in no net impact on net investment gains (losses).

The Company has also ceded risks to another affiliate related to guaranteed minimum benefit riders written directly by the Company. These ceded reinsurance agreements contain embedded derivatives and changes in their fair value are also included within net investment gains (losses). The embedded derivatives ceded are included within premiums and other receivables and were assets of \$496 million and \$239 million at June 30, 2008 and December 31, 2007, respectively. For the three months and six months ended June 30, 2008, net investment gains (losses) included (\$99) million and \$217 million, respectively, and for the three months and six months ended June 30, 2007, net investment gains (losses) included (\$3) million and (\$16) million, respectively, in changes in fair value of such embedded derivatives.

Effective December 31, 2007, MLI-USA entered into a reinsurance agreement to cede two blocks of business to MRV, on a 90% coinsurance with funds withheld basis. Certain contractual features of this agreement create an embedded derivative, which is separately accounted for at fair value on the Company's consolidated balance sheet. The embedded derivative related to the funds withheld associated with this reinsurance agreement is included within other liabilities and reduced the funds withheld balance by \$16 million at June 30, 2008. The change in fair value of the embedded derivative, included in net investment gains (losses), was \$10 million and \$16 million during the three months and six months ended June 30, 2008, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

For purposes of this discussion, "MICC" or the "Company" refers to MetLife Insurance Company of Connecticut, a Connecticut corporation incorporated in 1863, and its subsidiaries, including MetLife Investors USA Insurance Company ("MLI-USA"). The Company is a subsidiary of MetLife, Inc. ("MetLife"). Management's narrative analysis of the results of operations is presented pursuant to General Instruction H(2)(a) of Form 10-Q. This narrative analysis should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2007 (as amended on Form 10-K/A, the "2007 Annual Report") filed with the U.S. Securities and Exchange Commission ("SEC"), the forward-looking statement information included below and the Company's unaudited interim condensed consolidated financial statements included elsewhere herein.

This narrative analysis contains statements which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to trends in the operations and financial results and the business and the products of the Company, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend" and other similar expressions. Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects on the Company. Such forward-looking statements are not guarantees of future performance.

Actual results may differ materially from those included in the forward-looking statements as a result of risks and uncertainties including, but not limited to, the following: (i) changes in general economic conditions, including the performance of financial markets and interest rates, which may affect the Company's ability to raise capital and its generation of fee income and market-related revenue; (ii) heightened competition, including with respect to pricing, entry of new competitors, the development of new products by new and existing competitors and for personnel; (iii) investment losses and defaults, and changes to investment valuations; (iv) unanticipated changes in industry trends; (v) catastrophe losses; (vi) ineffectiveness of MetLife's risk management policies and procedures; (vii) changes in accounting standards, practices and/or policies; (viii) changes in assumptions related to deferred policy acquisition costs ("DAC"), value of business acquired ("VOBA") or goodwill; (ix) discrepancies between actual claims experience and assumptions used in setting prices for the Company's products and establishing the liabilities for the Company's obligations for future policy benefits and claims; (x) discrepancies between actual experience and assumptions used in establishing liabilities related to other contingencies or obligations; (xi) adverse results or other consequences from litigation, arbitration or regulatory investigations; (xii) downgrades in the Company's and its affiliates' claims paying ability, financial strength or credit ratings; (xiii) regulatory, legislative or tax changes that may affect the cost of, or demand for, the Company's products or services; (xiv) the effects of business disruption or economic contraction due to terrorism or other hostilities; (xv) the Company's ability to identify and consummate on successful terms any future acquisitions, and to successfully integrate acquired businesses with minimal disruption; and (xvi) other risks and uncertainties described from time to time in MICC's filings with the SEC.

The Company specifically disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

Business

The Company offers individual annuities, individual life insurance, and institutional protection and asset accumulation products. The Company's Individual segment offers a wide variety of individual insurance, as well as annuities and investment-type products, aimed at serving the financial needs of its customers throughout their entire life cycle. Products offered by Individual include insurance products, such as variable, universal and traditional life insurance, and variable and fixed annuities. In addition, Individual sales representatives distribute investment products such as mutual funds and other products offered by the Company's other businesses. The Company's Institutional segment offers a broad range of group insurance and retirement & savings products and services to corporations and other institutions and their respective employees. Group insurance products and services include specialized life insurance products offered through corporate-owned life insurance. Retirement & savings products and services include an array of annuity and investment products, guaranteed interest contracts, funding agreements and similar products, as well as fixed annuity products, generally in connection with defined contribution plans, the termination of pension plans and the funding of structured settlements.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the unaudited interim condensed consolidated financial statements. The most critical estimates include those used in determining:

- (i) the fair value of investments in the absence of quoted market values;
- (ii) investment impairments;
- (iii) the recognition of income on certain investment entities;
- (iv) the application of the consolidation rules to certain investments;
- (v) the existence and fair value of embedded derivatives requiring bifurcation;
- (vi) the fair value of and accounting for derivatives;
- (vii) the capitalization and amortization of DAC and the establishment and amortization of VOBA;
- (viii) the measurement of goodwill and related impairment, if any;
- (ix) the liability for future policyholder benefits;
- (x) accounting for income taxes and the valuation of deferred tax assets;
- (xi) accounting for reinsurance transactions; and
- (xii) the liability for litigation and regulatory matters.

In applying the Company’s accounting policies, which are more fully described in the 2007 Annual Report, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company’s businesses and operations. Actual results could differ from these estimates.

Results of Operations

Discussion of Results

The following table presents consolidated financial information for the Company for the periods indicated:

	Six Months Ended June 30,	
	2008	2007
	(In millions)	
Revenues		
Premiums	\$ 220	\$ 171
Universal life and investment-type product policy fees	772	682
Net investment income	1,347	1,464
Other revenues	115	124
Net investment gains (losses)	(171)	(201)
Total revenues	<u>2,283</u>	<u>2,240</u>
Expenses		
Policyholder benefits and claims	548	466
Interest credited to policyholder account balances	596	642
Other expenses	757	680
Total expenses	<u>1,901</u>	<u>1,788</u>
Income from continuing operations before provision for income tax	382	452
Provision for income tax	97	113
Income from continuing operations	<u>285</u>	<u>339</u>
Income from discontinued operations, net of income tax	—	4
Net income	<u>\$ 285</u>	<u>\$ 343</u>

Income from Continuing Operations

Income from continuing operations decreased by \$54 million, or 16%, to \$285 million for the six months ended June 30, 2008 from \$339 million in the comparable 2007 period.

Partially offsetting this decrease were higher earnings of \$20 million, net of income tax, from lower net investment losses, primarily attributable to an increase in derivative gains from the ceding of guaranteed benefit rider losses to reinsurers and decreased losses in fixed maturity securities. This decrease in net investment losses was partially offset by an increase in net investment losses on equity securities and mortgage loans principally attributable to credit-related impairments, as well as increased derivative losses on guaranteed minimum benefit riders due to declines in equity markets and foreign currency transaction losses.

Income from continuing operations, excluding the impact of net investment losses, decreased by \$74 million primarily driven by the following items:

- A decrease in net investment income of \$45 million, net of income tax, primarily due to reduced yields on other limited partnerships including hedge funds and real estate joint ventures.
- An increase in DAC amortization of \$25 million, net of income tax, resulting from lower net investment losses, and unfavorable equity market performance, partially offset by revisions to management's assumptions used to determine estimated gross profits and margins, which includes amortization associated with the implementation of Statement of Position ("SOP") 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts* ("SOP 05-1") in the prior period.

- An increase in interest credited to policyholder account balances of \$34 million, net of income tax, due primarily to lower amortization of the excess interest reserves on acquired annuity and universal life blocks of business.
- Increase in policyholder benefits and claims of \$15 million, net of income tax, primarily due to higher guaranteed annuity benefit rider costs and higher amortization of sales inducements.
- Unfavorable underwriting results of \$19 million, net of income tax, of which \$11 million was primarily due to a decrease in the underwriting results for life products. There were also decreases in the underwriting results for the retirement & savings and non-medical health & other businesses of \$7 million and \$3 million, respectively, net of income tax. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs, less claims incurred, and the change in insurance-related liabilities. Underwriting results are significantly influenced by mortality, morbidity or other insurance-related experience trends, as well as the reinsurance activity related to certain blocks of business. Consequently, results can fluctuate from period to period.
- An increase in other expenses of \$23 million, net of income tax, due to higher non-deferrable volume related expenses and higher interest expenses, which decreased income from continuing operations.

The aforementioned decrease in income from continuing operations was partially offset by the following items:

- An increase in universal life and investment-type product policy fees of \$58 million, net of income tax, related to growth in the life products and a reinsurance agreement with an affiliate which resulted in higher fees driven by an experience rate refund.
- An increase in net investment income on blocks of business not driven by interest margins of \$16 million, net of income tax.
- An increase in interest margins of \$9 million, net of income tax. Management attributes this increase to retirement & savings and group life businesses of \$35 million and \$5 million, respectively, net of income tax, partially offset by a decrease in the annuity business of \$31 million, net of income tax. Interest margin is the difference between interest earned and interest credited to policyholder account balances. Interest earned approximates net investment income on investable assets with minor adjustments related to the consolidation of certain separate accounts and other minor non-policyholder elements. Interest credited is the amount attributed to insurance products, recorded in policyholder benefits and claims, and the amount credited to policyholder account balances for investment-type products, recorded in interest credited to policyholder account balances. Interest credited on insurance products reflects the current year impact of the interest rate assumptions established at issuance or acquisition. Interest credited to policyholder account balances is subject to contractual terms, including some minimum guarantees. This tends to move gradually over time to reflect market interest rate movements and may reflect actions by management to respond to competitive pressures and, therefore, generally does not introduce volatility in expense.

Income tax expense for the six months ended June 30, 2008 was \$97 million, compared with \$113 million for the 2007 period. The effective tax rate of 25% for both periods differs from the corporate tax rate of 35% primarily due to the impact of non-taxable investment income.

Revenues

Total revenues, excluding net investment gains (losses), increased by \$13 million to \$2,454 million for the six months ended June 30, 2008 from \$2,441 million in the comparable 2007 period.

Premiums increased by \$49 million due to an increase of \$86 million primarily attributable to the group institutional annuity business, mainly due to the first significant sales in the United Kingdom business in the current year period. In addition, there was an increase in structured settlements of \$8 million, largely due to higher sales, as well as an increase of \$2 million in general account annuities. Partially offsetting these increases was a decline of \$48 million in income annuities and traditional life products due to reinsurance transactions with affiliates, partially offset with growth in the business.

Universal life and investment-type product policy fees combined with other revenues increased by \$81 million. This increase was primarily due to a \$44 million increase related to growth in universal life and investment-type products which was partially offset by unfavorable equity market performance during the current period.

Additionally, a reinsurance agreement effective as of December 31, 2007 ceded certain life products to an affiliate which resulted in higher fees of \$45 million driven by an experience rated refund. These increases were partially offset by a \$5 million decrease in corporate-owned life insurance fee income.

Net investment income decreased by \$117 million. Management attributes \$103 million of this decrease to lower yields and \$14 million of the decrease to a decline in average invested assets. This decrease in yields was primarily due to lower returns on other limited partnerships, real estate joint ventures, fixed maturity securities and short-term investments, partially offset by improved securities lending results. Management anticipates that net investment income and the related yields on other limited partnership interests will continue to decline during 2008 due to increased volatility in equity and credit markets. The decrease in net investment income from the decline in average invested assets was primarily within fixed maturity securities, partially offset by increases in net investment income due to increases in average invested assets within other limited partnership and real estate joint ventures.

Expenses

Total expenses increased by \$113 million, or 6%, to \$1,901 million for the six months ended June 30, 2008 from \$1,788 million in the comparable 2007 period.

The increase in policyholder benefits and claims of \$82 million included a \$12 million decrease related to net investment gains (losses). Excluding the decrease related to net investment gains (losses), policyholder benefits and claims increased by \$94 million. The increase in policyholder benefits and claims was primarily attributable to a \$102 million increase in the retirement & savings business. The increase in retirement & savings' policyholder benefits was largely due to an increase in the group institutional annuity and the structured settlement businesses of \$89 million and \$10 million, respectively. The increase in group institutional annuity business was primarily due to the aforementioned increase in premiums in addition to unfavorable mortality. The increase in structured settlements was largely due to the impact of a favorable liability refinement in the prior year period of \$12 million, partially offset by favorable mortality in the current year period. The remaining \$3 million increase in the retirement & savings business was in the general account annuities products. The increase in policyholder benefits and claims was partially offset by a decrease in policyholder benefit and claims associated with income annuities and traditional life products of \$48 million commensurate with the premiums decrease discussed above. There was also an increase of \$16 million due to unfavorable mortality in life products, a \$23 million increase due to higher guaranteed annuity benefit costs and higher amortization of sales inducements and a \$5 million increase in the non-medical health & other business due to unfavorable claim experience in the individual disability income business.

Interest credited to policyholder account balances decreased by \$46 million compared to the comparable 2007 period. This decrease was primarily due to a decrease of \$59 million in LIBOR based funding agreements which are tied to short-term interest rates. In addition, the impact of lower policyholder account balances and interest credited rates on the general account portion of investment-type products and guaranteed interest contracts decreased by \$32 million and \$10 million, respectively. Partially offsetting these decreases to interest credited to policyholder account balances was an increase of \$42 million due to lower amortization of the excess interest liability on acquired annuity and universal life blocks of businesses driven by lower lapses in the current period, and an increase for the growth in the block of business not driven by interest margins and the group life business of \$10 million and \$4 million, respectively.

Other expenses increased by \$77 million primarily due to higher DAC amortization of \$39 million resulting from lower net investment losses and unfavorable equity market performance, partially offset by revisions to management's assumptions used to determine estimated gross profits and margins, which includes amortization associated with the implementation of SOP 05-1 in the prior period. Other expenses, excluding DAC amortization, increased by \$38 million. This increase was driven by higher non-deferrable volume related expenses of \$18 million, which includes those expenses associated with information technology, compensation and direct departmental spending, as well as higher interest expense on debt of \$17 million resulting from the issuance of surplus notes in December 2007 and April 2008. Higher legal costs primarily due to a decrease in the prior period of \$8 million of legal liabilities resulting from the settlement of certain cases also increased other expenses. These increases were offset by a decrease of \$5 million related to foreign currency transaction gains in Ireland.

Insurance Regulations

The Company is subject to certain Risk-Based Capital (“RBC”) requirements that are used as minimum capital requirements by the National Association of Insurance Commissioners and the state insurance departments to identify companies that merit regulatory action. RBC is based on a formula calculated by applying factors to various asset, premium and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk and is calculated on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose RBC ratio does not exceed certain RBC levels. As of the date of the most recent annual statutory financial statements filed with insurance regulators, the RBC of MetLife Insurance Company of Connecticut and MLI-USA were each in excess of those RBC levels.

During 2008, MetLife Insurance Company of Connecticut is permitted to pay, without prior regulatory approval, a dividend of \$1,026 million. MetLife Insurance Company of Connecticut’s subsidiary, MLI-USA, had negative statutory unassigned surplus at December 31, 2007, and therefore cannot pay dividends to MetLife Insurance Company of Connecticut without prior regulatory approval from the Delaware Commissioner of Insurance.

Adoption of New Accounting Pronouncements

Fair Value

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, *Fair Value Measurements* (“SFAS 157”). SFAS 157 defines fair value, establishes a consistent framework for measuring fair value, establishes a fair value hierarchy based on the observability of inputs used to measure fair value, and requires enhanced disclosures about fair value measurements.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In many cases, the exit price and the transaction (or entry) price will be the same at initial recognition. However, in certain cases, the transaction price may not represent fair value. Prior to SFAS 157, the fair value of a liability was often based on a settlement price concept, which assumed the liability was extinguished. Under SFAS 157, fair value is based on the amount that would be paid to transfer a liability to a third party with the same credit standing. SFAS 157 requires that fair value be a market-based measurement in which the fair value is determined based on a hypothetical transaction at the measurement date, considered from the perspective of a market participant. Accordingly, fair value is no longer determined based solely upon the perspective of the reporting entity. When quoted prices are not used to determine fair value, SFAS 157 requires consideration of three broad valuation techniques: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The approaches are not new, but SFAS 157 requires that entities determine the most appropriate valuation technique to use, given what is being measured and the availability of sufficient inputs. SFAS 157 prioritizes the inputs to fair valuation techniques and allows for the use of unobservable inputs to the extent that observable inputs are not available. The Company has categorized its assets and liabilities into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability’s classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. SFAS 157 defines the input levels as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Effective January 1, 2008, the Company adopted SFAS 157 and applied the provisions of the statement prospectively to assets and liabilities measured at fair value. The adoption of SFAS 157 changed the valuation of certain freestanding derivatives by moving from a mid to bid pricing convention as it relates to certain volatility inputs as well as the addition of liquidity adjustments and adjustments for risks inherent in a particular input or valuation technique. The adoption of SFAS 157 also changed the valuation of the Company's embedded derivatives, most significantly the valuation of embedded derivatives associated with certain riders on variable annuity contracts. The change in valuation of embedded derivatives associated with riders on annuity contracts resulted from the incorporation of risk margins associated with non-capital market inputs and the inclusion of the Company's own credit standing in their valuation. At January 1, 2008, the impact of adopting SFAS 157 on assets and liabilities measured at fair value was \$59 million (\$38 million, net of income tax) and was recognized as a change in estimate in the accompanying unaudited condensed consolidated statement of income where it was presented in the respective income statement caption to which the item measured at fair value is presented. There were no significant changes in fair value of items measured at fair value and reflected in accumulated other comprehensive income (loss). The addition of risk margins and the Company's own credit spread in the valuation of embedded derivatives associated with annuity contracts may result in significant volatility in the Company's consolidated net income in future periods. The impact of adopting SFAS 157 also changed the fair value measurement for assets and liabilities which are not measured at fair value in the financial statements but for which disclosures of fair value are required under SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*.

As a result of the adoption of SFAS 157, the Company updated critical accounting estimates related to investments, derivative financial instruments and embedded derivatives, as described below. This information should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" included in the 2007 Annual Report.

Investments

The Company's investments in fixed maturity and equity securities, which are classified as available-for-sale and certain short-term investments are reported at their estimated fair value. In determining the estimated fair value of these securities, various methodologies, assumptions and inputs are utilized, as described further below.

When available, the estimated fair value of securities is based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Company's securities holdings and valuation of these securities does not involve management judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies. The market standard valuation methodologies utilized include: discounted cash flow methodologies, matrix pricing or other similar techniques. The assumptions and inputs in applying these market standard valuation methodologies include, but are not limited to: interest rates, credit standing of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, sinking fund requirements, maturity, estimated duration and management's assumptions regarding liquidity and estimated future cash flows. Accordingly, the estimated fair values are based on available market information and management's judgments about financial instruments.

The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Such observable inputs include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market.

When observable inputs are not available, the market standard valuation methodologies for determining the estimated fair value of certain types of securities that trade infrequently, and, therefore, have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management judgment or estimation, and cannot be supported by reference to market activity. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and consistent with what other market participants would use when pricing such securities.

The use of different methodologies, assumptions and inputs may have a material effect on the estimated fair values of the Company's securities holdings.

Derivative Financial Instruments

The fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives or through the use of pricing models for over-the-counter derivatives. The determination of fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be consistent with what other market participants would use when pricing the instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk (including the counterparties to the contract), volatility, liquidity and changes in estimates and assumptions used in the pricing models.

The significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant inputs that are observable generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain over-the-counter derivatives may rely on inputs that are significant to the fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. Significant inputs that are unobservable generally include: broker quotes, credit correlation assumptions, references to emerging market currencies and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility, or other relevant market measure. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and consistent with what other market participants would use when pricing such instruments.

The credit risk of both the counterparty and the Company are considered in determining the fair value for all over-the-counter derivatives after taking into account the effects of netting agreements and collateral arrangements. Most inputs for over-the-counter derivatives are mid market inputs but, in certain cases, bid level inputs are used when they are deemed more representative of exit value.

The use of different methodologies, assumptions and inputs may have a material effect on the estimated fair values of the Company's derivatives and could materially affect net income. Also, fluctuations in the fair value of derivatives which have not been designated for hedge accounting may result in significant volatility in net income.

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity riders, and embedded derivatives related to funds withheld on ceded reinsurance. Embedded derivatives are recorded in the financial statements at fair value with changes in fair value adjusted through net income.

The Company issues certain variable annuity products with guaranteed minimum benefit riders. These include guaranteed minimum withdrawal benefit ("GMWB") riders, guaranteed minimum accumulation benefit ("GMAB") riders, and certain guaranteed minimum income benefit ("GMIB") riders. GMWB, GMAB and certain GMIB riders are embedded derivatives, which are measured at fair value separately from the host variable annuity contract, with changes in fair value reported in net investment gains (losses). These embedded derivatives are classified within policyholder account balances. The fair value for these riders is estimated using the present value of future benefits minus the present value of future fees using actuarial and capital market assumptions related to the projected cash flows over the expected lives of the contracts. A risk neutral valuation methodology is used under

which the cash flows from the riders are projected under multiple capital market scenarios using observable risk free rates. Effective January 1, 2008, upon adoption of SFAS 157, the valuation of these riders now includes an adjustment for the Company's own credit and risk margins for non-capital market inputs. The Company's own credit adjustment is determined taking into consideration publicly available information relating to the Company's debt as well as its claims paying ability. Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment. These riders may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates, changes in the Company's own credit standing, and variations in actuarial assumptions regarding policyholder behavior and risk margins related to non-capital market inputs may result in significant fluctuations in the fair value of the riders that could materially affect net income.

The Company cedes the risks associated with certain of the GMIB, GMAB and GMWB riders described in the preceding paragraph to an affiliated reinsurance company. These reinsurance contracts contain embedded derivatives which are included in premiums and other receivables with changes in fair value reported in net investment gains (losses). The value of the embedded derivatives on the ceded risks are determined using a methodology consistent with that described previously for the riders directly written by the Company.

In addition to ceding risks associated with riders that are accounted for as embedded derivatives, the Company also cedes to the same affiliated reinsurance company certain directly written GMIB riders that are accounted for as insurance (i.e. not as embedded derivatives) but where the reinsurance contract contains an embedded derivative. These embedded derivatives are included in premiums and other receivables with changes in fair value reported in net investment gains (losses). The value of the embedded derivatives on these ceded risks is determined using a methodology consistent with that described previously for the riders directly written by the Company. Because the direct rider is not accounted for at fair value, significant fluctuations in net income may occur as the change in fair value of the embedded derivative on the ceded risk is being recorded in net income without a corresponding and offsetting change in fair value of the direct rider.

The Company has assumed risks related to guaranteed minimum benefit riders from an affiliated joint venture under a reinsurance contract. These risks are fully retroceded to the same affiliated reinsurance company. Both the assumed and retroceded contracts contain embedded derivatives. The embedded derivatives associated with the assumed risks are included in policyholder account balances and the embedded derivatives associated with the retroceded risks are included in premiums and other receivables with changes in fair value of both reported in net investment gains (losses). The values of the embedded derivatives in both the assumed and retroceded contracts are determined in a similar manner and using a methodology consistent with that described previously for the riders directly written by the Company.

The fair value of the embedded derivatives within funds withheld at interest related to certain ceded reinsurance is determined based on the change in fair value of the underlying assets held by the Company in a reference portfolio backing the funds withheld liability. The fair value of the underlying assets is determined as described above in "— Investments." The fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities with changes in fair value recorded in net investment gains (losses). Changes in the credit spreads on the underlying assets, interest rates and market volatility may result in significant fluctuations in the fair value of these embedded derivatives that could materially affect net income.

The accounting for embedded derivatives is complex and interpretations of the primary accounting standards continue to evolve in practice. If interpretations change, there is a risk that features previously not bifurcated may require bifurcation and reporting at fair value in the unaudited interim condensed consolidated financial statements and respective changes in fair value could materially affect net income.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 permits entities the option to measure most financial instruments and certain other items at fair value at specified election dates and to recognize related unrealized gains and losses in earnings. The fair value option is applied on an instrument-by-instrument basis upon adoption of the standard, upon the

acquisition of an eligible financial asset, financial liability or firm commitment or when certain specified reconsideration events occur. The fair value election is an irrevocable election. Effective January 1, 2008, the Company did not elect the fair value option for any instruments.

Effective January 1, 2008, the Company adopted FASB Staff Position (“FSP”) No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* (“FSP 157-1”). FSP 157-1 amends SFAS 157 to provide a scope out exception for lease classification and measurement under SFAS No. 13, *Accounting for Leases*. The Company also adopted FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157* which delays the effective date of SFAS 157 for certain nonfinancial assets and liabilities that are recorded at fair value on a nonrecurring basis. The effective date is delayed until January 1, 2009 and impacts balance sheet items including nonfinancial assets and liabilities in a business combination and the impairment testing of goodwill and long-lived assets.

Other

Effective January 1, 2008, the Company adopted FSP No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (“FSP 39-1”). FSP 39-1 amends FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts* (“FIN 39”), to permit a reporting entity to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement that have been offset in accordance with FIN 39. FSP 39-1 also amends FIN 39 for certain terminology modifications. Upon adoption of FSP 39-1, the Company did not change its accounting policy of not offsetting fair value amounts recognized for derivative instruments under master netting arrangements. The adoption of FSP 39-1 did not have an impact on the Company’s unaudited interim condensed consolidated financial statements.

Effective January 1, 2008, the Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”) Implementation Issue E-23, *Clarification of the Application of the Shortcut Method* (“Issue E-23”). Issue E-23 amended SFAS 133 by permitting interest rate swaps to have a non-zero fair value at inception when applying the shortcut method of assessing hedge effectiveness, as long as the difference between the transaction price (zero) and the fair value (exit price), as defined by SFAS 157, is solely attributable to a bid-ask spread. In addition, entities are not precluded from applying the shortcut method of assessing hedge effectiveness in a hedging relationship of interest rate risk involving an interest bearing asset or liability in situations where the hedged item is not recognized for accounting purposes until settlement date as long as the period between trade date and settlement date of the hedged item is consistent with generally established conventions in the marketplace. The adoption of Issue E-23 did not have an impact on the Company’s unaudited interim condensed consolidated financial statements.

Future Adoption of New Accounting Pronouncements

Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations — A Replacement of FASB Statement No. 141* (“SFAS 141(r)”) and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51* (“SFAS 160”). Under SFAS 141(r) and SFAS 160:

- All business combinations (whether full, partial or “step” acquisitions) result in all assets and liabilities of an acquired business being recorded at fair value, with limited exceptions.
- Acquisition costs are generally expensed as incurred; restructuring costs associated with a business combination are generally expensed as incurred subsequent to the acquisition date.
- The fair value of the purchase price, including the issuance of equity securities, is determined on the acquisition date.

- Certain acquired contingent liabilities are recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies.
- Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally affect income tax expense.
- Noncontrolling interests (formerly known as “minority interests”) are valued at fair value at the acquisition date and are presented as equity rather than liabilities.
- When control is attained on previously noncontrolling interests, the previously held equity interests are remeasured at fair value and a gain or loss is recognized.
- Purchases or sales of equity interests that do not result in a change in control are accounted for as equity transactions.
- When control is lost in a partial disposition, realized gains or losses are recorded on equity ownership sold and the remaining ownership interest is remeasured and holding gains or losses are recognized.

The pronouncements are effective for fiscal years beginning on or after December 15, 2008 and apply prospectively to business combinations. Presentation and disclosure requirements related to noncontrolling interests must be retrospectively applied. The Company is currently evaluating the impact of SFAS 141(r) on its accounting for future acquisitions and the impact of SFAS 160 on its consolidated financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (“FSP 142-3”). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* (“SFAS 142”). This change is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(r) and other GAAP. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The requirement for determining useful lives must be applied prospectively to intangible assets acquired after the effective date and the disclosure requirements must be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date.

Derivatives

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement No. 133* (“SFAS 161”). SFAS 161 requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of SFAS 161 on its consolidated financial statements.

Other

In February 2008, the FASB issued FSP No. FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* (“FSP 140-3”). FSP 140-3 provides guidance for evaluating whether to account for a transfer of a financial asset and repurchase financing as a single transaction or as two separate transactions. FSP 140-3 is effective prospectively for financial statements issued for fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of FSP 140-3 on its consolidated financial statements.

In December 2007, the FASB ratified as final the consensus on Emerging Issues Task Force (“EITF”) Issue No. 07-6, *Accounting for the Sale of Real Estate When the Agreement Includes a Buy-Sell Clause* (“EITF 07-6”). EITF 07-6 addresses whether the existence of a buy-sell arrangement would preclude partial sales treatment when real estate is sold to a jointly owned entity. The consensus concludes that the existence of a buy-sell clause does not necessarily preclude partial sale treatment under current guidance. EITF 07-6 applies prospectively to new

arrangements entered into and assessments on existing transactions performed in fiscal years beginning after December 15, 2008. The Company does not expect the adoption of EITF 07-6 to have a material impact on its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

MetLife regularly analyzes its exposure to interest rate, equity market and foreign currency exchange risks. As a result of that analysis, MetLife has determined that the fair value of the Company's interest rate sensitive invested assets is materially exposed to changes in interest rates, and that the amount of that risk has decreased from that reported at December 31, 2007 in the 2007 Annual Report. The equity and foreign currency portfolios do not expose the Company to material market risks, nor has the Company's exposure to those risks materially changed from that reported on December 31, 2007 in the 2007 Annual Report.

MetLife analyzes interest rate risk using various models including multi-scenario cash flow projection models that forecast cash flows of certain liabilities and their supporting investments, including derivative instruments. As disclosed in the 2007 Annual Report, MetLife uses a variety of strategies to manage interest rate, equity market, and foreign currency exchange risk, including the use of derivative instruments.

MetLife's management processes for measuring, managing and monitoring market risk remain as described in the 2007 Annual Report.

Risk Measurement: Sensitivity Analysis

MetLife measures market risk related to its holdings of invested assets and other financial instruments, including certain market risk sensitive insurance contracts, based on changes in interest rates, equity market prices and currency exchange rates, utilizing a sensitivity analysis. This analysis estimates the potential changes in fair value based on a hypothetical 10% change (increase or decrease) in interest rates, equity market prices and currency exchange rates. MetLife believes that a 10% change (increase or decrease) in these market rates and prices is reasonably possible in the near-term. In performing this analysis, MetLife used market rates at June 30, 2008 to re-price the Company's invested assets and other financial instruments. The sensitivity analysis separately calculated each of the Company's market risk exposures (interest rate, equity market price and foreign currency exchange rate) related to non-trading invested assets and other financial instruments. The Company does not maintain a trading portfolio. The sensitivity analysis performed included the market risk sensitive holdings described above. MetLife modeled the impact of changes in market rates and prices on the fair values of the Company's invested assets as follows:

- the net present values of the Company's interest rate sensitive exposures resulting from a 10% change (increase or decrease) in interest rates;
- the market value of the Company's equity positions due to a 10% change (increase or decrease) in equity prices; and
- the U.S. dollar equivalent balances of the Company's currency exposures due to a 10% change (increase or decrease) in currency exchange rates.

The sensitivity analysis is an estimate and should not be viewed as predictive of the Company's future financial performance. The Company cannot assure that its actual losses in any particular year will not exceed the amounts indicated in the table below. Limitations related to this sensitivity analysis include:

- the market risk information is limited by the assumptions and parameters established in creating the related sensitivity analysis;
- for derivatives that qualify as hedges, the impact on reported earnings may be materially different from the change in market values;
- the analysis excludes other significant real estate holdings and liabilities pursuant to insurance contracts; and
- the model assumes that the composition of assets and liabilities remains unchanged throughout the year.

Accordingly, MetLife uses such models as tools and not substitutes for the experience and judgment of its investments, asset/liability management and corporate risk personnel. Based on its analysis of the impact of a 10% change (increase or decrease) in market rates and prices, MetLife has determined that such a change could have a material adverse effect on the fair value of the Company's interest rate sensitive invested assets. Based upon MetLife's analysis of the impact of a 10% change (increase or decrease) in equity markets or in currency exchange rates, the equity and foreign currency portfolios do not expose the Company to material market risk.

The table below illustrates the potential loss in fair value of the Company's interest rate sensitive financial instruments at June 30, 2008. In addition, the potential loss with respect to the fair value of currency exchange rates and the Company's equity price sensitive positions at June 30, 2008 is set forth in the table below.

The potential loss in fair value for each market risk exposure of the Company's non-trading portfolio at June 30, 2008 was:

	<u>June 30, 2008</u> <u>(In millions)</u>
Non-trading:	
Interest rate risk	\$ 489
Equity price risk	\$ 138
Foreign currency exchange rate risk	\$ 21
Trading:	
Interest rate risk	\$ —

The table below provides additional detail regarding the potential loss in fair value of the Company's non-trading interest sensitive financial instruments at June 30, 2008 by type of asset or liability:

	As of June 30, 2008		
	Notional Amount	Estimated Fair Value (In millions)	Assuming a 10% Increase in the Yield Curve
Assets:			
Fixed maturity securities		\$43,694	\$ (901)
Equity securities		893	—
Mortgage and consumer loans		4,440	(43)
Policy loans		1,196	(10)
Short-term investments		800	—
Cash and cash equivalents		2,150	—
Mortgage loan commitments	\$ 322	(12)	(3)
Commitments to fund bank credit facilities and private corporate bond investments	\$ 385	(41)	—
Commitments to fund partnership investments	\$ 1,641	—	—
Total assets			\$ (957)
Liabilities:			
Policyholder account balances		\$23,250	\$ 460
Long-term debt - affiliated		1,005	35
Payables for collateral under securities loaned and other transactions		10,712	—
Total liabilities			\$ 495
Other:			
Derivative instruments (designated hedges or otherwise)			
Interest rate swaps	\$ 7,928	\$ 235	\$ (2)
Interest rate floors	12,071	154	(5)
Interest rate caps	4,021	6	3
Financial futures	1,202	(1)	16
Foreign currency swaps	3,728	799	(32)
Foreign currency forwards	175	(2)	—
Options	—	95	(6)
Financial forwards	208	9	(1)
Credit default swaps	517	(5)	—
Total other			\$ (27)
Net Change			\$ (489)

This quantitative measure of risk has decreased by \$139 million, or 22%, to \$489 million at June 30, 2008 from \$628 million at December 31, 2007. The interest rate curve remains essentially flat compared to year end 2007. From December 31, 2007 to June 30, 2008, there was a relatively parallel shift in the yield curve which resulted in an immaterial change to the interest rate risk. The most significant movement in the yield curve occurred at the short end which did not result in a material movement in the aforementioned interest rate risk. In addition, there was no material restructuring of the Company's investment portfolio. The decrease in interest rate risk was primarily driven by a \$127 million change in the method of estimating the fair value of liabilities in connection with the adoption of SFAS 157. Partially offsetting this decline was an increase in interest rate risk of \$13 million resulting from the decrease of the amount of derivatives employed by the Company.

Item 4(T). Controls and Procedures

Management, with the participation of the President and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act") as of the end of the period covered by this report. As previously identified in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, management identified a material weakness in internal control over financial reporting relating to the accounting for certain foreign currency matters in accordance with Statement of Financial Accounting Standards No. 52, *Foreign Currency Translation*. The foreign currency matters included (i) a miscalculation of the foreign exchange adjustment related to the accrued interest credited liability on its foreign denominated issuances under its guaranteed interest contract program, and (ii) a recognition that its assessment of the functional currency of its operations in Ireland was not in accordance with applicable accounting principles. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The Company has implemented changes to its internal control over financial reporting that have remediated the material weakness described above. The remediation actions include enhanced management review controls, as it relates to the miscalculation of the foreign exchange adjustment related to the accrued interest credited liability on the foreign denominated guaranteed interest contract issuances. Additionally, the Company's formal periodic reassessments of functional currency have been enhanced to remediate the incorrect assessment of the functional currency of its operations in Ireland. Based on management's testing, in the opinion of the Company's management the revised control processes have now operated for a sufficient period of time so as to provide reasonable assurance as to their effectiveness and, as a result, the material weakness has now been remediated. Based on their evaluation and as a result of the remediation of the material weakness described above, the Company's President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Except as set forth above, there were no changes to the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the three months ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

The following should be read in conjunction with (i) Part I, Item 3 of the 2007 Annual Report, and (ii) Note 6 to the unaudited interim condensed consolidated financial statements in Part I of this report.

During the quarter ended June 30, 2008, no new material legal or governmental proceedings were instituted and no material developments in any such previously reported proceedings occurred, to which MetLife Insurance Company of Connecticut or any of its subsidiaries is a party or any of their property is subject.

Item 1A. Risk Factors

The following should be read in conjunction with and supplements and amends the factors that may affect the Company's business or operations described under "Risk Factors" in Part I, Item 1A, of the 2007 Annual Report.

Adverse Credit Market Conditions May Significantly Affect Our Access to Capital, Cost of Capital and Ability to Meet Liquidity Needs

Disruptions, uncertainty or volatility in the credit markets may limit our access to capital which is required to operate our business, most significantly our insurance operations. Such market conditions may limit our ability to replace, in a timely manner, maturing liabilities; satisfy statutory capital requirements; generate fee income and market-related revenue to meet liquidity needs; and access the capital necessary to grow our business. As such, we may be forced to delay raising capital, issue shorter tenors than we prefer, or pay unattractive interest rates; thereby, increasing our interest expense, decreasing our profitability and significantly reducing our financial flexibility. Overall, our results of operations, financial condition, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of President pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

METLIFE INSURANCE COMPANY OF CONNECTICUT

By: /s/ Joseph J. Prochaska, Jr. _____

Name: Joseph J. Prochaska, Jr.

Title: Executive Vice-President and Chief Accounting Officer
(Authorized Signatory and Chief Accounting Officer)

Date: August 11, 2008

Exhibit Index

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CERTIFICATIONS

I, Michael K. Farrell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MetLife Insurance Company of Connecticut;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2008

/s/ Michael K. Farrell

Michael K. Farrell
President

CERTIFICATIONS

I, Stanley J. Talbi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MetLife Insurance Company of Connecticut;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2008

/s/ Stanley J. Talbi

Stanley J. Talbi

Executive Vice President and Chief Financial Officer

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Michael K. Farrell, certify that (i) MetLife Insurance Company of Connecticut's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of MetLife Insurance Company of Connecticut.

Date: August 11, 2008

/s/ Michael K. Farrell

Michael K. Farrell
President

A signed original of this written statement required by Section 906 has been provided to MetLife Insurance Company of Connecticut and will be retained by MetLife Insurance Company of Connecticut and furnished to the Securities and Exchange Commission or its staff upon request.

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Stanley J. Talbi, certify that (i) MetLife Insurance Company of Connecticut's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of MetLife Insurance Company of Connecticut.

Date: August 11, 2008

/s/ Stanley J. Talbi

Stanley J. Talbi
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to MetLife Insurance Company of Connecticut and will be retained by MetLife Insurance Company of Connecticut and furnished to the Securities and Exchange Commission or its staff upon request.