
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 SEPTEMBER 30, 2015

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: 033-03094

MetLife Insurance Company USA

(Exact name of registrant as specified in its charter)

Delaware

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

11225 North Community House Road, Charlotte, North Carolina

(Address of principal executive offices)

06-0566090

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

28277

(Zip Code)

(212) 578-9500

(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 November 12, 2015, 3,000 shares of the registrant's common stock, \$25,000 par value per share, were outstanding, all of which were owned directly by 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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As used in this Form 10-Q, “MetLife USA,” the “Company,” “we,” “our” and “us” refer to MetLife Insurance Company USA (formerly, MetLife Insurance Company of Connecticut), a Delaware corporation originally incorporated in Connecticut in 1863, and its subsidiaries. MetLife Insurance Company USA is a wholly-owned subsidiary of MetLife, Inc. (MetLife, Inc., together with its subsidiaries and affiliates, “MetLife”).

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife USA. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife Insurance Company USA’s filings with the U.S. Securities and Exchange Commission. These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the capital and credit markets, which may affect our ability to meet liquidity needs and access capital, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets, including assets supporting risks ceded to certain affiliated captive reinsurers or hedging arrangements associated with those risks; (3) exposure to financial and capital market risks, including as a result of the disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (4) impact on us of comprehensive financial services regulation reform, including regulation of MetLife, Inc. as a non-bank systemically important financial institution, or otherwise; (5) numerous rulemaking initiatives required or permitted by the Dodd-Frank Wall Street Reform and Consumer Protection Act which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (6) regulatory, legislative or tax changes relating to our insurance or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (7) adverse results or other consequences from litigation, arbitration or regulatory investigations; (8) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (9) investment losses and defaults, and changes to investment valuations; (10) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (11) impairments of goodwill and realized losses or market value impairments to illiquid assets; (12) defaults on our mortgage loans; (13) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (14) fluctuations in foreign currency exchange rates; (15) downgrades in our claims paying ability, financial strength ratings or those of MetLife, Inc.’s other insurance subsidiaries, or MetLife, Inc.’s credit ratings; (16) an inability of MetLife, Inc. to access its credit facilities; (17) availability and effectiveness of reinsurance or indemnification arrangements, as well as any default or failure of counterparties to perform; (18) differences between actual claims experience and underwriting and reserving assumptions; (19) ineffectiveness of MetLife’s risk management policies and procedures; (20) catastrophe losses; (21) increasing cost and limited market capacity for statutory life insurance reserve financings; (22) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, and for personnel; (23) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets, reduced interest rates, unanticipated policyholder behavior, mortality or longevity, and the adjustment for nonperformance risk; (24) our ability to address difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from business acquisitions, and integrating and managing the growth of such acquired businesses, or arising from dispositions of businesses or legal entity reorganizations; (25) changes in accounting standards, practices and/or policies; (26) increased expenses relating to pension and postretirement benefit plans for employees and retirees of MetLife, Inc. and its subsidiaries, as well as health care and other employee benefits; (27) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (28) inability to attract and retain sales representatives; (29) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, MetLife’s disaster recovery systems, cyber- or other information security systems and management continuity planning;

(30) the effectiveness of MetLife’s programs and practices in avoiding giving associates incentives to take excessive risks; and (31) other risks and uncertainties described from time to time in MetLife Insurance Company USA’s filings with the U.S. Securities and Exchange Commission.

MetLife Insurance Company USA does not undertake any obligation to publicly correct or update any forward-looking statement if MetLife Insurance Company USA later becomes aware that such statement is not likely to be achieved. Please consult any further disclosures MetLife Insurance Company USA makes on related subjects in reports to the U.S. Securities and Exchange Commission.

Note Regarding Reliance on Statements in Our Contracts

See “Exhibit Index — Note Regarding Reliance on Statements in Our Contracts” for information regarding agreements included as exhibits to this Quarterly Report on Form 10-Q.

Part I — Financial Information
Item 1. Financial Statements

MetLife Insurance Company USA
(A Wholly-Owned Subsidiary of MetLife, Inc.)
Interim Condensed Consolidated Balance Sheets
September 30, 2015 (Unaudited) and December 31, 2014
(In millions, except share and per share data)

	September 30, 2015	December 31, 2014
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$49,245 and \$46,423, respectively)	\$ 52,200	\$ 50,697
Equity securities available-for-sale, at estimated fair value (cost: \$403 and \$400, respectively)	435	459
Mortgage loans (net of valuation allowances of \$32 and \$25, respectively; includes \$204 and \$280, respectively, at estimated fair value, relating to variable interest entities)	6,865	5,839
Policy loans	1,174	1,194
Real estate and real estate joint ventures (includes \$72 and \$93 respectively, of real estate held-for-sale)	777	894
Other limited partnership interests	2,172	2,234
Short-term investments, principally at estimated fair value	4,001	1,232
Other invested assets, principally at estimated fair value	5,444	4,531
Total investments	73,068	67,080
Cash and cash equivalents, principally at estimated fair value	782	1,206
Accrued investment income (includes \$1 and \$2, respectively, relating to variable interest entities)	509	501
Premiums, reinsurance and other receivables	23,049	21,559
Deferred policy acquisition costs and value of business acquired	4,801	4,890
Current income tax recoverable	366	537
Goodwill	381	381
Other assets	794	848
Separate account assets	99,426	108,861
Total assets	\$ 203,176	\$ 205,863
Liabilities and Stockholder's Equity		
Liabilities		
Future policy benefits	\$ 29,417	\$ 28,479
Policyholder account balances	36,266	35,486
Other policy-related balances	3,446	3,320
Payables for collateral under securities loaned and other transactions	11,547	7,501
Long-term debt (includes \$61 and \$139, respectively, at estimated fair value, relating to variable interest entities)	849	928
Deferred income tax liability	1,031	1,338
Other liabilities (includes \$0 and \$1, respectively, relating to variable interest entities)	9,401	7,944
Separate account liabilities	99,426	108,861
Total liabilities	191,383	193,857
Contingencies, Commitments and Guarantees (Note 9)		
Stockholder's Equity		
Common stock, par value \$25,000 per share; 4,000 shares authorized; 3,000 shares issued and outstanding	75	75
Additional paid-in capital	10,859	10,855
Retained earnings (deficit)	(1,138)	(1,350)
Accumulated other comprehensive income (loss)	1,997	2,426
Total stockholder's equity	11,793	12,006
Total liabilities and stockholder's equity	\$ 203,176	\$ 205,863

See accompanying notes to the interim condensed consolidated financial statements.

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

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months and Nine Months Ended September 30, 2015 and 2014 (Unaudited)

(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Premiums	\$ 386	\$ 381	\$ 922	\$ 876
Universal life and investment-type product policy fees	712	851	2,141	2,476
Net investment income	684	664	2,008	2,029
Other revenues	121	106	371	388
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(12)	(1)	(14)	(5)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	1	(5)	—	(6)
Other net investment gains (losses)	(13)	(13)	27	(545)
Total net investment gains (losses)	(24)	(19)	13	(556)
Net derivative gains (losses)	(284)	(3)	(216)	(15)
Total revenues	1,595	1,980	5,239	5,198
Expenses				
Policyholder benefits and claims	584	742	1,758	2,116
Interest credited to policyholder account balances	258	272	777	808
Other expenses	695	676	1,787	2,002
Total expenses	1,537	1,690	4,322	4,926
Income (loss) before provision for income tax	58	290	917	272
Provision for income tax expense (benefit)	(30)	41	205	8
Net income (loss)	\$ 88	\$ 249	\$ 712	\$ 264
Comprehensive income (loss)	\$ 413	\$ 401	\$ 283	\$ 1,410

See accompanying notes to the interim condensed consolidated financial statements.

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

Interim Condensed Consolidated Statements of Stockholder's Equity
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)

(In millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance at December 31, 2014	\$ 75	\$ 10,855	\$ (1,350)	\$ 2,426	\$ 12,006
Capital contributions from MetLife, Inc.		4			4
Dividend paid to MetLife, Inc.			(500)		(500)
Net income (loss)			712		712
Other comprehensive income (loss), net of income tax				(429)	(429)
Balance at September 30, 2015	<u>\$ 75</u>	<u>\$ 10,859</u>	<u>\$ (1,138)</u>	<u>\$ 1,997</u>	<u>\$ 11,793</u>

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance at December 31, 2013	\$ 86	\$ 11,506	\$ (1,006)	\$ 980	\$ 11,566
Redemption of common stock	(11)	(895)	(484)		(1,390)
Capital contributions from MetLife, Inc.		241			241
Dividend paid to MetLife, Inc.			(155)		(155)
Net income (loss)			264		264
Other comprehensive income (loss), net of income tax				1,146	1,146
Balance at September 30, 2014	<u>\$ 75</u>	<u>\$ 10,852</u>	<u>\$ (1,381)</u>	<u>\$ 2,126</u>	<u>\$ 11,672</u>

See accompanying notes to the interim condensed consolidated financial statements.

MetLife Insurance Company USA
(A Wholly-Owned Subsidiary of MetLife, Inc.)
Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)

(In millions)

	Nine Months Ended September 30,	
	2015	2014
Net cash provided by (used in) operating activities	\$ 2,516	\$ 3,036
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	26,048	14,480
Equity securities	80	65
Mortgage loans	738	2,170
Real estate and real estate joint ventures	226	13
Other limited partnership interests	174	189
Purchases of:		
Fixed maturity securities	(28,079)	(15,818)
Equity securities	(73)	(20)
Mortgage loans	(1,778)	(280)
Real estate and real estate joint ventures	(50)	(104)
Other limited partnership interests	(161)	(270)
Cash received in connection with freestanding derivatives	434	102
Cash paid in connection with freestanding derivatives	(495)	(1,156)
Cash received under repurchase agreements (Note 4)	199	—
Cash paid under reverse repurchase agreements (Note 4)	(199)	—
Sale of business, net of cash and cash equivalents disposed of \$0 and \$251, respectively	—	451
Sales of loans to affiliates	—	520
Net change in policy loans	20	42
Net change in short-term investments	(2,769)	231
Net change in other invested assets	59	(164)
Net cash provided by (used in) investing activities	(5,626)	451
Cash flows from financing activities		
Policyholder account balances:		
Deposits	13,697	13,169
Withdrawals	(14,406)	(15,222)
Net change in payables for collateral under securities loaned and other transactions	4,046	1,224
Long-term debt repaid	(76)	(1,269)
Financing element on certain derivative instruments	(73)	(259)
Redemption of common stock	—	(906)
Common stock redemption premium	—	(484)
Dividends paid to MetLife, Inc.	(500)	(155)
Capital contribution from MetLife, Inc.	—	231
Net cash provided by (used in) financing activities	2,688	(3,671)
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(2)	(9)
Change in cash and cash equivalents	(424)	(193)
Cash and cash equivalents, beginning of period	1,206	1,400
Cash and cash equivalents, end of period	\$ 782	\$ 1,207
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	\$ 46	\$ 78
Income tax	\$ 105	\$ 315
Non-cash transactions:		
Capital contributions from MetLife, Inc.	\$ 4	\$ 10
Transfer of fixed maturity securities to affiliates	\$ —	\$ 333

See accompanying notes to the interim condensed consolidated financial statements.

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

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

“MetLife USA” and the “Company” refer to MetLife Insurance Company USA (formerly, MetLife Insurance Company of Connecticut (“MICC”)), a Delaware corporation originally incorporated in Connecticut in 1863, and its subsidiaries. MetLife Insurance Company USA is a wholly-owned subsidiary of MetLife, Inc. (MetLife, Inc., together with its subsidiaries and affiliates, “MetLife”). The Company offers individual annuities, individual life insurance, and institutional protection and asset accumulation products.

In November 2014, MetLife Insurance Company of Connecticut re-domesticated from Connecticut to Delaware, changed its name to MetLife Insurance Company USA and merged with its subsidiary, MetLife Investors USA Insurance Company (“MLI-USA”), and its affiliate, MetLife Investors Insurance Company, each a U.S. insurance company that issued variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd., a former offshore, reinsurance subsidiary of MetLife, Inc. and affiliate of MICC that mainly reinsured guarantees associated with variable annuity products (the “Mergers”). The surviving entity of the Mergers was MetLife USA. The Mergers represent a transaction among entities under common control and have been accounted for in a manner similar to the pooling-of-interests method, which requires that the merged entities be combined at their historical cost. The Company’s consolidated financial statements and related footnotes are presented as if the transaction occurred at the beginning of the earliest date presented and the prior periods have been retrospectively adjusted. See Note 3 of the Notes to the Consolidated Financial Statements included in MetLife Insurance Company USA’s Annual Report on Form 10-K for the year ended December 31, 2014 (the “2014 Annual Report”) for further information on the Mergers.

The Company is organized into two segments: Retail and Corporate Benefit Funding.

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 interim condensed consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions 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 business and operations. Actual results could differ from estimates.

The accompanying interim condensed consolidated financial statements include the accounts of MetLife USA, as well as partnerships and joint ventures in which the Company has control, and variable interest entities (“VIEs”) for which the Company is the primary beneficiary. Intercompany accounts and transactions have been eliminated.

The Company uses the equity method of accounting for equity securities when it has significant influence or at least 20% interest and for real estate joint ventures and other limited partnership interests (“investees”) when it has more than a minor ownership interest or more than a minor influence over the investee’s operations, but does not have a controlling financial interest. The Company generally recognizes its share of the investee’s earnings on a three-month lag in instances where the investee’s financial information is not sufficiently timely or when the investee’s reporting period differs from the Company’s reporting period. The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee’s operations.

Certain amounts in the prior year periods’ interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2015 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

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.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2014 consolidated balance sheet data was derived from audited consolidated financial statements included in the 2014 Annual Report, which include 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 2014 Annual Report.

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

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

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

Adoption of New Accounting Pronouncements

Effective January 1, 2015, the Company adopted guidance requiring repurchase-to-maturity transactions and repurchase financing arrangements to be accounted for as secured borrowings and providing for enhanced disclosures, including the nature of collateral pledged and the time to maturity. Certain interim period disclosures for repurchase agreements and securities lending transactions were not required until the second quarter of 2015. The Company has provided these enhanced disclosures in Note 4. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board ("FASB") issued new guidance on fair value measurement (Accounting Standards Update ("ASU") 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and which should be applied retrospectively to all periods presented. Earlier application is permitted. The new amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value ("NAV") per share practical expedient. In addition, the amendments remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2015, the FASB issued new guidance on accounting for fees paid in a cloud computing arrangement (ASU 2015-05, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the new guidance is permitted and an entity can elect to adopt the guidance either: (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively. The new guidance provides that all software licenses included in cloud computing arrangements be accounted for consistent with other licenses of intangible assets. However, if a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract, the accounting for which did not change. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In February 2015, the FASB issued certain amendments to the consolidation analysis to improve consolidation guidance for legal entities (ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*), effective for fiscal years beginning after December 15, 2015 and interim periods within those years and early adoption is permitted. The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in this ASU affect the consolidation evaluation for reporting organizations. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*), effective for fiscal years beginning after December 15, 2016 and interim periods within those years and should be applied retrospectively. In July 2015, the FASB voted to defer the effective date of this ASU by one year, effective for fiscal years beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new guidance will supersede nearly all existing revenue recognition guidance under GAAP; however, it will not impact the accounting for insurance contracts, leases, financial instruments and guarantees. For those contracts that are impacted by the new guidance, the guidance will require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

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

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

2. Segment Information

The Company is organized into two segments: Retail and Corporate Benefit Funding. In addition, the Company reports certain of its results of operations in Corporate & Other.

In the first quarter of 2015, the Company implemented certain segment reporting changes related to the measurement of segment operating earnings, which included revising the Company's capital allocation methodology. These changes were applied retrospectively and did not have an impact on total consolidated operating earnings or net income.

Retail

The Retail segment offers a broad range of protection products and a variety of annuities primarily to individuals, and is organized into two businesses: Annuities and Life & Other. Annuities includes a variety of variable, fixed and equity index-linked annuities which provide for both asset accumulation and asset distribution needs. Life & Other insurance products and services include variable life, universal life, term life and whole life products, as well as individual disability income products. Additionally, through broker-dealer affiliates, the Company offers a full range of mutual funds and other securities products.

Corporate Benefit Funding

The Corporate Benefit Funding segment offers a broad range of annuity and investment products, including guaranteed interest products and other stable value products, income annuities and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This segment also includes structured settlements and certain products to fund company-, bank- or trust-owned life insurance used to finance non-qualified benefit programs for executives.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments, run-off businesses, the Company's ancillary international operations, ancillary U.S. direct business sold direct to consumer, and interest expense related to the majority of the Company's outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes assumed reinsurance of certain variable annuity products from a former affiliated operating joint venture in Japan. Under this in-force reinsurance agreement, the Company reinsures living and death benefit guarantees issued in connection with variable annuity products. Additionally, Corporate & Other includes a reinsurance agreement to assume certain blocks of indemnity reinsurance from an affiliate. These reinsurance agreements were recaptured effective November 1, 2014. Corporate & Other also includes the elimination of intersegment amounts.

Financial Measures and Segment Accounting Policies

Operating earnings is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is the Company's measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for net income (loss). The Company believes the presentation of operating earnings as the Company measures it for management purposes enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business.

Operating earnings is defined as operating revenues less operating expenses, both net of income tax.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by the Company and are referred to as divested businesses. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.

The following additional adjustments are made to GAAP revenues, in the line items indicated, in calculating operating revenues:

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees"); and
- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, and (iv) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP.

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

2. Segment Information (continued)

The following additional adjustments are made to GAAP expenses, in the line items indicated, in calculating operating expenses:

- Policyholder benefits and claims excludes: (i) amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, (ii) benefits and hedging costs related to GMIBs (“GMIB Costs”), and (iii) market value adjustments associated with surrenders or terminations of contracts (“Market Value Adjustments”);
- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment;
- Amortization of deferred policy acquisition costs (“DAC”) and value of business acquired (“VOBA”) excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustments;
- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other expenses excludes costs related to: (i) implementation of new insurance regulatory requirements, and (ii) acquisition and integration costs.

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 nine months ended September 30, 2015 and 2014. The segment accounting policies are the same as those used to prepare the Company’s consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

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 and the Company’s business.

MetLife’s economic capital model, coupled with considerations of local capital requirements, aligns segment allocated equity with emerging standards and consistent risk principles. The model applies statistics-based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principles include calibrating required economic capital shock factors to a specific confidence level and time horizon while applying an industry standard method for the inclusion of diversification benefits among risk types. MetLife’s management is responsible for the ongoing production and enhancement of the economic capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards.

Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact the Company’s consolidated net investment income, operating earnings or net income (loss).

Net investment income is based upon the actual results of each segment’s specifically identifiable investment portfolios 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.

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

2. Segment Information (continued)

Three Months Ended September 30, 2015	Operating Results				Adjustments	Total Consolidated
	Retail	Corporate Benefit Funding	Corporate & Other	Total		
(In millions)						
Revenues						
Premiums	\$ 290	\$ 5	\$ 91	\$ 386	\$ —	\$ 386
Universal life and investment-type product policy fees	637	9	—	646	66	712
Net investment income	523	213	(2)	734	(50)	684
Other revenues	120	1	—	121	—	121
Net investment gains (losses)	—	—	—	—	(24)	(24)
Net derivative gains (losses)	—	—	—	—	(284)	(284)
Total revenues	1,570	228	89	1,887	(292)	1,595
Expenses						
Policyholder benefits and claims	522	106	70	698	(114)	584
Interest credited to policyholder account balances	232	25	—	257	1	258
Capitalization of DAC	(74)	(1)	(20)	(95)	—	(95)
Amortization of DAC and VOBA	157	—	8	165	91	256
Interest expense on debt	—	—	17	17	8	25
Other expenses	458	7	44	509	—	509
Total expenses	1,295	137	119	1,551	(14)	1,537
Provision for income tax expense (benefit)	49	31	(11)	69	(99)	(30)
Operating earnings	\$ 226	\$ 60	\$ (19)	267		
Adjustments to:						
Total revenues				(292)		
Total expenses				14		
Provision for income tax (expense) benefit				99		
Net income (loss)				\$ 88		\$ 88

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

2. Segment Information (continued)

Three Months Ended September 30, 2014	Operating Results			Total	Adjustments	Total Consolidated
	Retail	Corporate Benefit Funding	Corporate & Other			
(In millions)						
Revenues						
Premiums	\$ 326	\$ 14	\$ 41	\$ 381	\$ —	\$ 381
Universal life and investment-type product policy fees	721	8	45	774	77	851
Net investment income	484	232	(14)	702	(38)	664
Other revenues	104	2	(1)	105	1	106
Net investment gains (losses)	—	—	—	—	(19)	(19)
Net derivative gains (losses)	—	—	—	—	(3)	(3)
Total revenues	1,635	256	71	1,962	18	1,980
Expenses						
Policyholder benefits and claims	575	117	36	728	14	742
Interest credited to policyholder account balances	243	28	—	271	1	272
Capitalization of DAC	(63)	(1)	(15)	(79)	—	(79)
Amortization of DAC and VOBA	169	—	1	170	79	249
Interest expense on debt	1	—	18	19	3	22
Other expenses	451	6	22	479	5	484
Total expenses	1,376	150	62	1,588	102	1,690
Provision for income tax expense (benefit)	27	34	8	69	(28)	41
Operating earnings	\$ 232	\$ 72	\$ 1	305		
Adjustments to:						
Total revenues				18		
Total expenses				(102)		
Provision for income tax (expense) benefit				28		
Net income (loss)				\$ 249		\$ 249

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

2. Segment Information (continued)

Nine Months Ended September 30, 2015	Operating Results				Adjustments	Total Consolidated
	Retail	Corporate Benefit Funding	Corporate & Other	Total		
(In millions)						
Revenues						
Premiums	\$ 784	\$ 12	\$ 126	\$ 922	\$ —	\$ 922
Universal life and investment-type product policy fees	1,916	26	—	1,942	199	2,141
Net investment income	1,550	662	(39)	2,173	(165)	2,008
Other revenues	366	3	2	371	—	371
Net investment gains (losses)	—	—	—	—	13	13
Net derivative gains (losses)	—	—	—	—	(216)	(216)
Total revenues	4,616	703	89	5,408	(169)	5,239
Expenses						
Policyholder benefits and claims	1,256	312	112	1,680	78	1,758
Interest credited to policyholder account balances	693	81	—	774	3	777
Capitalization of DAC	(218)	(1)	(61)	(280)	—	(280)
Amortization of DAC and VOBA	480	—	20	500	8	508
Interest expense on debt	—	—	51	51	10	61
Other expenses	1,348	23	127	1,498	—	1,498
Total expenses	3,559	415	249	4,223	99	4,322
Provision for income tax expense (benefit)	266	99	(65)	300	(95)	205
Operating earnings	\$ 791	\$ 189	\$ (95)	885		
Adjustments to:						
Total revenues				(169)		
Total expenses				(99)		
Provision for income tax (expense) benefit				95		
Net income (loss)				\$ 712		\$ 712

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

2. Segment Information (continued)

Nine Months Ended September 30, 2014	Operating Results				Adjustments	Total Consolidated
	Retail	Corporate Benefit Funding (1)	Corporate & Other	Total		
(In millions)						
Revenues						
Premiums	\$ 840	\$ (36)	\$ 70	\$ 874	\$ 2	\$ 876
Universal life and investment-type product policy fees	2,075	25	133	2,233	243	2,476
Net investment income	1,448	681	(69)	2,060	(31)	2,029
Other revenues	382	4	—	386	2	388
Net investment gains (losses)	—	—	—	—	(556)	(556)
Net derivative gains (losses)	—	—	—	—	(15)	(15)
Total revenues	4,745	674	134	5,553	(355)	5,198
Expenses						
Policyholder benefits and claims	1,400	269	69	1,738	378	2,116
Interest credited to policyholder account balances	720	86	—	806	2	808
Capitalization of DAC	(202)	(1)	(40)	(243)	—	(243)
Amortization of DAC and VOBA	520	1	11	532	199	731
Interest expense on debt	4	—	51	55	33	88
Other expenses	1,337	21	56	1,414	12	1,426
Total expenses	3,779	376	147	4,302	624	4,926
Provision for income tax expense (benefit)	229	100	(4)	325	(317)	8
Operating earnings	\$ 737	\$ 198	\$ (9)	926		
Adjustments to:						
Total revenues				(355)		
Total expenses				(624)		
Provision for income tax (expense) benefit				317		
Net income (loss)				\$ 264		\$ 264

(1) Premiums and policyholder benefits and claims both include (\$87) million of ceded reinsurance with Metropolitan Life Insurance Company (“MLIC”). See Note 10.

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

	September 30, 2015	December 31, 2014
	(In millions)	
Retail	\$ 166,577	\$ 173,657
Corporate Benefit Funding	25,088	25,312
Corporate & Other	11,511	6,894
Total	\$ 203,176	\$ 205,863

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

3. Insurance

Guarantees

As discussed in Notes 1 and 5 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report, the Company issues variable annuity products with guaranteed minimum benefits. The non-life contingent portion of guaranteed minimum withdrawal benefits (“GMWBs”) and the portion of certain GMIBs that does not require annuitization are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 5.

Based on the type of guarantee, the Company defines net amount at risk (“NAR”) as listed below.

Variable Annuities

In the Event of Death

Defined as the death benefit less the total contract account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date and includes any additional contractual claims associated with riders purchased to assist with covering income taxes payable upon death.

At Annuitization

Defined as the amount (if any) that would be required to be added to the total contract account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company’s potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date, even though the contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which not all contractholders have achieved.

Universal and Variable Life Contracts

Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.

The amounts in the table below include direct business, but exclude offsets from hedging or reinsurance, if any. As discussed in Note 7 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report, the Company reinsures portions of the living and death benefit guarantees issued in connection with certain variable annuities to unaffiliated reinsurers. Therefore, the NAR presented below reflects the economic exposures of living and death benefit guarantees associated with variable annuities, but not necessarily their impact on the Company.

Information regarding the types of guarantees relating to annuity contracts and universal and variable life contracts was as follows at:

	September 30, 2015		December 31, 2014	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
Annuity Contracts (1)				
Variable Annuities				
Total contract account value	\$ 102,846	\$ 58,480	\$ 112,298	\$ 64,550
Separate account value	\$ 97,737	\$ 57,121	\$ 107,261	\$ 63,206
Net amount at risk	\$ 8,799	\$ 2,197	\$ 3,151	\$ 1,297
Average attained age of contractholders	66 years	66 years	65 years	65 years

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

3. Insurance (continued)

	September 30, 2015	December 31, 2014
	Secondary Guarantees	
	(In millions)	
Universal and Variable Life Contracts (1)		
Account value (general and separate account)	\$ 6,862	\$ 6,702
Net amount at risk	\$ 91,024	\$ 91,204
Average attained age of policyholders	59 years	59 years

(1) The Company's annuity and life contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed above may not be mutually exclusive.

4. Investments

Fixed Maturity and Equity Securities Available-for-Sale

Fixed Maturity and Equity Securities Available-for-Sale by Sector

The following table presents the fixed maturity and equity securities available-for-sale ("AFS") by sector. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS").

	September 30, 2015					December 31, 2014				
	Cost or Amortized Cost	Gross Unrealized			Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized			Estimated Fair Value
		Gains	Temporary Losses	OTTI Losses			Gains	Temporary Losses	OTTI Losses	
	(In millions)									
Fixed maturity securities										
U.S. corporate	\$ 15,870	\$ 1,159	\$ 296	\$ —	\$ 16,733	\$ 15,286	\$ 1,635	\$ 119	\$ —	\$ 16,802
U.S. Treasury and agency	12,101	1,480	29	—	13,552	14,147	1,686	7	—	15,826
RMBS	8,747	260	69	31	8,907	5,858	291	33	35	6,081
Foreign corporate	5,035	183	165	—	5,053	5,162	310	58	—	5,414
State and political subdivision	2,277	330	7	1	2,599	2,180	413	1	—	2,592
CMBS (1)	2,125	38	9	(1)	2,155	1,637	45	4	(1)	1,679
ABS	2,490	23	20	—	2,493	1,546	26	10	—	1,562
Foreign government	600	114	6	—	708	607	136	2	—	741
Total fixed maturity securities	\$ 49,245	\$ 3,587	\$ 601	\$ 31	\$ 52,200	\$ 46,423	\$ 4,542	\$ 234	\$ 34	\$ 50,697
Equity securities										
Common stock	\$ 186	\$ 36	\$ 5	\$ —	\$ 217	\$ 176	\$ 60	\$ 3	\$ —	\$ 233
Non-redeemable preferred stock	217	9	8	—	218	224	9	7	—	226
Total equity securities	\$ 403	\$ 45	\$ 13	\$ —	\$ 435	\$ 400	\$ 69	\$ 10	\$ —	\$ 459

(1) The noncredit loss component of other-than-temporary impairment ("OTTI") losses for CMBS was in an unrealized gain position of \$1 million at both September 30, 2015 and December 31, 2014, due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also "— Net Unrealized Investment Gains (Losses)."

The Company held non-income producing fixed maturity securities with an estimated fair value of \$15 million and \$14 million with unrealized gains (losses) of \$1 million and \$4 million at September 30, 2015 and December 31, 2014, respectively.

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

4. Investments (continued)

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at September 30, 2015:

	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Structured Securities	Total Fixed Maturity Securities
(In millions)						
Amortized cost	\$ 2,478	\$ 10,244	\$ 7,211	\$ 15,950	\$ 13,362	\$ 49,245
Estimated fair value	\$ 2,497	\$ 10,655	\$ 7,350	\$ 18,143	\$ 13,555	\$ 52,200

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities not due at a single maturity date have been presented in the year of final contractual maturity. Structured securities (RMBS, CMBS and ABS) are shown separately, as they are not due at a single maturity.

Continuous Gross Unrealized Losses for Fixed Maturity and Equity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity and equity securities AFS in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position.

	September 30, 2015				December 31, 2014			
	Less than 12 Months		Equal to or Greater than 12 Months		Less than 12 Months		Equal to or Greater than 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
(In millions, except number of securities)								
Fixed maturity securities								
U.S. corporate	\$ 3,517	\$ 206	\$ 471	\$ 90	\$ 1,346	\$ 45	\$ 685	\$ 74
U.S. Treasury and agency	676	29	—	—	4,067	5	163	2
RMBS	1,620	57	444	43	684	26	530	42
Foreign corporate	1,607	115	340	50	1,031	49	133	9
State and political subdivision	233	7	19	1	11	—	24	1
CMBS	423	7	40	1	124	1	78	2
ABS	1,082	15	189	5	334	2	231	8
Foreign government	85	6	3	—	27	1	9	1
Total fixed maturity securities	<u>\$ 9,243</u>	<u>\$ 442</u>	<u>\$ 1,506</u>	<u>\$ 190</u>	<u>\$ 7,624</u>	<u>\$ 129</u>	<u>\$ 1,853</u>	<u>\$ 139</u>
Equity securities								
Common stock	\$ 14	\$ 5	\$ 1	\$ —	\$ 11	\$ 3	\$ —	\$ —
Non-redeemable preferred stock	21	1	41	7	28	1	44	6
Total equity securities	<u>\$ 35</u>	<u>\$ 6</u>	<u>\$ 42</u>	<u>\$ 7</u>	<u>\$ 39</u>	<u>\$ 4</u>	<u>\$ 44</u>	<u>\$ 6</u>
Total number of securities in an unrealized loss position	<u>1,391</u>		<u>340</u>		<u>752</u>		<u>333</u>	

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities

As described more fully in Notes 1 and 8 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities and equity securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.

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

4. Investments (continued)

Current Period Evaluation

Based on the Company's current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company's current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company concluded that these securities were not other-than-temporarily impaired at September 30, 2015. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities increased \$364 million during the nine months ended September 30, 2015 to \$632 million. The increase in gross unrealized losses for the nine months ended September 30, 2015 was primarily attributable to widening credit spreads, and to a lesser extent, the impact of weakening foreign currencies on non-functional currency denominated fixed maturity securities.

At September 30, 2015, \$48 million of the total \$632 million of gross unrealized losses were from 15 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Investment Grade Fixed Maturity Securities

Of the \$48 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, \$38 million, or 79%, were related to gross unrealized losses on seven investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads and, with respect to fixed-rate fixed maturity securities, rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities

Of the \$48 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, \$10 million, or 21%, were related to gross unrealized losses on eight below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to non-agency RMBS (primarily alternative residential mortgage loans) and U.S. corporate securities (primarily utility industry securities) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over valuations of residential real estate supporting non-agency RMBS. Management evaluates non-agency RMBS based on actual and projected cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security; and evaluates U.S. corporate securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuers.

Equity Securities

Gross unrealized losses on equity securities increased \$3 million during the nine months ended September 30, 2015 to \$13 million. Of the \$13 million, \$5 million were from three securities with gross unrealized losses of 20% or more of cost for 12 months or greater. Of the \$5 million, 40% were from securities rated A or better, and all were from financial services industry investment grade non-redeemable preferred stock securities.

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

4. Investments (continued)

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	September 30, 2015		December 31, 2014	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)		(In millions)	
Mortgage loans:				
Commercial	\$ 5,050	73.6 %	\$ 4,281	73.3 %
Agricultural	1,416	20.6	1,303	22.3
Residential	227	3.3	—	—
Subtotal (1)	6,693	97.5	5,584	95.6
Valuation allowances	(32)	(0.5)	(25)	(0.4)
Subtotal mortgage loans, net	6,661	97.0	5,559	95.2
Commercial mortgage loans held by CSEs - fair value option ("FVO")	204	3.0	280	4.8
Total mortgage loans, net	<u>\$ 6,865</u>	<u>100.0 %</u>	<u>\$ 5,839</u>	<u>100.0 %</u>

- (1) Purchases of mortgage loans were \$184 million and \$224 million for the three months and nine months ended September 30, 2015, respectively. There were no mortgage loans purchased for both the three months and nine months ended September 30, 2014.

See “— Variable Interest Entities” for discussion of consolidated securitization entities (“CSEs”).

See “— Related Party Investment Transactions” for discussion of related party mortgage loans.

Information on commercial, agricultural and residential mortgage loans is presented in the tables below. Information on commercial mortgage loans held by CSEs - FVO is presented in Note 6. The Company elects the FVO for certain commercial mortgage loans and related long-term debt that are managed on a total return basis.

Mortgage Loans, Valuation Allowance and Impaired Loans by Portfolio Segment

Mortgage loans by portfolio segment, by method of evaluation of credit loss, impaired mortgage loans including those modified in a troubled debt restructuring, and the related valuation allowances, were as follows at:

	Evaluated Individually for Credit Losses					Evaluated Collectively for Credit Losses		Impaired Loans
	Impaired Loans with a Valuation Allowance			Impaired Loans without a Valuation Allowance		Recorded Investment	Valuation Allowances	Carrying Value
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Unpaid Principal Balance	Recorded Investment			
(In millions)								
September 30, 2015								
Commercial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,050	\$ 26	\$ —
Agricultural	4	3	—	—	—	1,413	5	3
Residential	—	—	—	—	—	227	1	—
Total	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,690</u>	<u>\$ 32</u>	<u>\$ 3</u>
December 31, 2014								
Commercial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,281	\$ 21	\$ —
Agricultural	4	3	—	—	—	1,300	4	3
Residential	—	—	—	—	—	—	—	—
Total	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,581</u>	<u>\$ 25</u>	<u>\$ 3</u>

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

4. Investments (continued)

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was \$0, \$3 million and \$0, respectively, for both the three months and the nine months ended September 30, 2015.

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was \$34 million, \$3 million and \$0, respectively, for the three months ended September 30, 2014; and \$53 million, \$3 million and \$0, respectively, for the nine months ended September 30, 2014.

Valuation Allowance Rollforward by Portfolio Segment

The changes in the valuation allowance, by portfolio segment, were as follows:

	2015				2014			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	\$ 21	\$ 4	\$ —	\$ 25	\$ 31	\$ 4	\$ —	\$ 35
Provision (release)	5	1	1	7	(9)	—	—	(9)
Balance, end of period	<u>\$ 26</u>	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ 32</u>	<u>\$ 22</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 26</u>

Credit Quality of Commercial Mortgage Loans

The credit quality of commercial mortgage loans was as follows at:

	Recorded Investment						
	Debt Service Coverage Ratios				% of Total	Estimated Fair Value	% of Total
	> 1.20x	1.00x - 1.20x	< 1.00x	Total			
	(In millions)					(In millions)	
September 30, 2015							
Loan-to-value ratios							
Less than 65%	\$ 4,415	\$ 152	\$ 69	\$ 4,636	91.8%	\$ 4,916	92.3%
65% to 75%	312	9	9	330	6.5	330	6.2
76% to 80%	—	—	—	—	—	—	—
Greater than 80%	45	25	14	84	1.7	82	1.5
Total	<u>\$ 4,772</u>	<u>\$ 186</u>	<u>\$ 92</u>	<u>\$ 5,050</u>	<u>100.0%</u>	<u>\$ 5,328</u>	<u>100.0%</u>
December 31, 2014							
Loan-to-value ratios							
Less than 65%	\$ 3,668	\$ 267	\$ 125	\$ 4,060	94.8%	\$ 4,431	95.1%
65% to 75%	113	14	—	127	3.0	134	2.9
76% to 80%	9	—	—	9	0.2	10	0.2
Greater than 80%	45	26	14	85	2.0	83	1.8
Total	<u>\$ 3,835</u>	<u>\$ 307</u>	<u>\$ 139</u>	<u>\$ 4,281</u>	<u>100.0%</u>	<u>\$ 4,658</u>	<u>100.0%</u>

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

4. Investments (continued)

Credit Quality of Agricultural Mortgage Loans

The credit quality of agricultural mortgage loans was as follows at:

	September 30, 2015		December 31, 2014	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(In millions)		(In millions)	
Loan-to-value ratios				
Less than 65%	\$ 1,341	94.7%	\$ 1,239	95.1%
65% to 75%	75	5.3	64	4.9
Total	\$ 1,416	100.0%	\$ 1,303	100.0%

The estimated fair value of agricultural mortgage loans was \$1.5 billion and \$1.4 billion at September 30, 2015 and December 31, 2014, respectively.

Credit Quality of Residential Mortgage Loans

Over 98% of residential mortgage loans held at September 30, 2015 were classified as performing with an estimated fair value of \$232 million.

Past Due and Interest Accrual Status of Mortgage Loans

The Company has a high quality, well performing mortgage loan portfolio, with over 99% of all mortgage loans classified as performing at both September 30, 2015 and December 31, 2014. The Company defines delinquency consistent with industry practice, when mortgage loans are past due as follows: commercial and residential mortgage loans — 60 days and agricultural mortgage loans — 90 days. The Company had no commercial and agricultural mortgage loans past due and no commercial and agricultural mortgage loans in non-accrual status at both September 30, 2015 and December 31, 2014. The recorded investment of residential mortgage loans past due and in non-accrual status was \$4 million at September 30, 2015. The Company did not hold any residential mortgage loans at December 31, 2014.

Mortgage Loans Modified in a Troubled Debt Restructuring

The Company may grant concessions related to borrowers experiencing financial difficulties, which are classified as troubled debt restructurings. Generally, the types of concessions include: reduction of the contractual interest rate, extension of the maturity date at an interest rate lower than current market interest rates, and/or a reduction of accrued interest. The amount, timing and extent of the concession granted is considered in determining any impairment or changes in the specific valuation allowance. There were no mortgage loans modified in a troubled debt restructuring during the three months and nine months ended September 30, 2015 and 2014.

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was \$285 million and \$681 million at September 30, 2015 and December 31, 2014, respectively.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity and equity securities AFS and the effect on DAC, VOBA, deferred sales inducements (“DSI”) and future policy benefits, that would result from the realization of the unrealized gains (losses), are included in net unrealized investment gains (losses) in accumulated other comprehensive income (loss) (“AOCI”).

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

4. Investments (continued)

The components of net unrealized investment gains (losses), included in AOCI, were as follows:

	September 30, 2015	December 31, 2014
	(In millions)	
Fixed maturity securities	\$ 2,979	\$ 4,311
Fixed maturity securities with noncredit OTTI losses in AOCI	(31)	(34)
Total fixed maturity securities	2,948	4,277
Equity securities	46	69
Derivatives	361	282
Other	43	9
Subtotal	3,398	4,637
Amounts allocated from:		
Future policy benefits	(67)	(503)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	—	(2)
DAC, VOBA and DSI	(254)	(403)
Subtotal	(321)	(908)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	5	12
Deferred income tax benefit (expense)	(1,060)	(1,308)
Net unrealized investment gains (losses)	\$ 2,022	\$ 2,433

The changes in fixed maturity securities with noncredit OTTI losses included in AOCI were as follows:

	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
	(In millions)	
Balance, beginning of period	\$ (34)	\$ (45)
Noncredit OTTI losses and subsequent changes recognized	—	6
Securities sold with previous noncredit OTTI loss	13	9
Subsequent changes in estimated fair value	(10)	(4)
Balance, end of period	\$ (31)	\$ (34)

The changes in net unrealized investment gains (losses) were as follows:

	Nine Months Ended September 30, 2015
	(In millions)
Balance, beginning of period	\$ 2,433
Fixed maturity securities on which noncredit OTTI losses have been recognized	3
Unrealized investment gains (losses) during the period	(1,242)
Unrealized investment gains (losses) relating to:	
Future policy benefits	436
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	2
DAC, VOBA and DSI	149
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(7)
Deferred income tax benefit (expense)	248
Balance, end of period	\$ 2,022
Change in net unrealized investment gains (losses)	\$ (411)

Concentrations of Credit Risk

There were no investments in any counterparty that were greater than 10% of the Company's stockholder's equity, other than the U.S. government and its agencies, at both September 30, 2015 and December 31, 2014.

Securities Lending

The Company participates in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. The Company obtains collateral, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned at inception of the loan. Securities loaned under such transactions may be sold or re-pledged by the transferee. The Company monitors the estimated fair value of the securities loaned on a daily basis with additional collateral obtained as necessary throughout the duration of the loan.

Elements of the securities lending program are presented below at:

September 30, 2015

December 31, 2014

(In millions)

Securities on loan: (1)				
Amortized cost	\$	8,416	\$	5,748
Estimated fair value	\$	9,331	\$	6,703
Cash collateral on deposit from counterparties (2)	\$	9,463	\$	6,781
Security collateral on deposit from counterparties (3)	\$	85	\$	60
Reinvestment portfolio — estimated fair value	\$	9,450	\$	6,846

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

4. Investments (continued)

- (1) Included within fixed maturity securities and short-term investments. At September 30, 2015, both amortized cost and estimated fair value also include \$227 million, at estimated fair value, of securities which are not reflected in the consolidated financial statements.
- (2) Included within payables for collateral under securities loaned and other transactions.
- (3) Security collateral on deposit from counterparties may not be sold or re-pledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements.

The cash collateral liability by loaned security type and remaining tenor of the agreements were as follows at:

September 30, 2015						
Remaining Tenor of Securities Lending Agreements						
Open (1)	1 Month or Less	1 to 6 Months	6 Months to 1 Year	Total	% of Total	
(In millions)						
Cash collateral liability by loaned security type						
U.S. Treasury and agency	\$ 3,038	\$ 3,264	\$ 1,309	\$ 55	\$ 7,666	81.0%
Agency RMBS	—	942	594	—	1,536	16.2
Foreign corporate	1	—	—	—	1	—
U.S. corporate	9	206	—	—	215	2.3
Foreign government	2	43	—	—	45	0.5
Total	\$ 3,050	\$ 4,455	\$ 1,903	\$ 55	\$ 9,463	100.0%

December 31, 2014						
Remaining Tenor of Securities Lending Agreements						
Open (1)	1 Month or Less	1 to 6 Months	6 Months to 1 Year	Total	% of Total	
(In millions)						
Cash collateral liability by loaned security type						
U.S. Treasury and agency	\$ 2,618	\$ 2,611	\$ 822	\$ —	\$ 6,051	89.2%
Agency RMBS	—	95	542	—	637	9.4
Foreign corporate	22	22	—	—	44	0.7
U.S. corporate	7	35	—	—	42	0.6
Foreign government	7	—	—	—	7	0.1
Total	\$ 2,654	\$ 2,763	\$ 1,364	\$ —	\$ 6,781	100.0%

- (1) The related loaned security could be returned to the Company on the next business day which would require the Company to immediately return the cash collateral.

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized under normal market conditions, or both. The estimated fair value of the securities on loan related to the cash collateral on open at September 30, 2015 was \$3.0 billion, over 99% of which were U.S. Treasury and agency securities which, if put back to the Company, could be immediately sold to satisfy the cash requirement.

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including U.S. Treasury and agency, agency RMBS, ABS, non-agency RMBS and U.S. corporate securities) with over 56% invested in U.S. Treasury and agency, agency RMBS, short-term investments, or held in cash and cash equivalents. If the securities on loan or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities on loan are put back to the Company.

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

4. Investments (continued)

Repurchase Agreement Transactions

Commencing in the first quarter of 2015, the Company began participating in short-term repurchase agreements and reverse repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company lends fixed maturity securities and contemporaneously borrows other fixed maturity securities (e.g., repurchase and reverse repurchase, respectively). The Company obtains cash collateral in an amount greater than or equal to 95% of the estimated fair value of the securities loaned, and pledges cash collateral in an amount generally equal to 98% of the estimated fair value of the borrowed securities at the inception of the transaction. The Company monitors the estimated fair value of the securities loaned and borrowed on a daily basis with additional collateral obtained as necessary throughout the duration of the transaction.

The Company accounted for these transactions as collateralized borrowing and lending. The amount of fixed maturity securities lent and borrowed, at estimated fair value, was \$524 million and \$512 million, respectively, at September 30, 2015. Securities loaned under such transactions may be sold or re-pledged by the transferee. Securities borrowed under such transactions may be re-pledged and are not reflected in the consolidated financial statements. The amount of borrowed securities which were re-pledged was \$227 million, at estimated fair value, at September 30, 2015.

The Company has elected to offset amounts recognized as receivables and payables resulting from these transactions. The gross amounts of the receivables and payables related to these transactions at September 30, 2015 were both \$499 million. After the effect of offsetting of \$499 million, the net amount presented in the consolidated balance sheet at September 30, 2015 was a liability of less than \$1 million. Amounts owed to and due from counterparties may be settled in cash or offset, in accordance with the agreements. Cash inflows and outflows for cash settlements are reported on the consolidated statements of cash flows. At September 30, 2015, all \$499 million of payables from repurchase agreements had a remaining tenor of one to three months and were loans of U.S. and foreign corporate securities.

See Note 5 for information regarding the estimated fair value of the Company’s net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

Invested Assets on Deposit, Held in Trust and Pledged as Collateral

Invested assets on deposit, held in trust and pledged as collateral are presented below at estimated fair value for all asset classes, except mortgage loans, which are presented at carrying value at:

	September 30, 2015	December 31, 2014
	(In millions)	
Invested assets on deposit (regulatory deposits)	\$ 7,313	\$ 7,334
Invested assets held in trust (reinsurance agreements) (1)	979	936
Invested assets pledged as collateral (2)	3,096	3,174
Total invested assets on deposit, held in trust and pledged as collateral	\$ 11,388	\$ 11,444

- (1) The Company has held in trust certain investments, primarily fixed maturity securities, in connection with certain reinsurance transactions.
- (2) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Note 5 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report) and derivative transactions (see Note 5).

See “— Securities Lending” and “— Repurchase Agreement Transactions” for information regarding securities on loan.

Variable Interest Entities

The Company has invested in certain structured transactions (including CSEs) that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary beneficiary or consolidator of the entity.

The determination of the VIE’s primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party’s relationship with or involvement in the entity, an estimate of the entity’s expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary. However, for VIEs that are investment companies or apply measurement principles consistent with those utilized by investment companies, the primary beneficiary is based on a risks and rewards model and is defined as the entity that will absorb a majority of a VIE’s expected losses, receive a majority of a VIE’s expected residual returns if no single entity absorbs a majority of expected losses, or both. The Company reassesses its involvement with VIEs on a quarterly basis. The use of different methodologies, assumptions and inputs in the determination of the primary beneficiary could have a material effect on the amounts presented within the consolidated financial statements.

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

4. Investments (continued)

Consolidated VIEs

The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at September 30, 2015 and December 31, 2014. Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment.

	September 30, 2015	December 31, 2014
	(In millions)	
CSEs: (1)		
Assets:		
Mortgage loans (commercial mortgage loans)	\$ 204	\$ 280
Accrued investment income	1	2
Total assets	\$ 205	\$ 282
Liabilities:		
Long-term debt	\$ 61	\$ 139
Other liabilities	—	1
Total liabilities	\$ 61	\$ 140

- (1) The Company consolidates entities that are structured as CMBS. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The Company's exposure was limited to that of its remaining investment in these entities of \$126 million and \$123 million at estimated fair value at September 30, 2015 and December 31, 2014, respectively. The long-term debt bears interest primarily at fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was \$8 million and \$10 million for the three months and nine months ended September 30, 2015, respectively, and \$3 million and \$33 million for the three months and nine months ended September 30, 2014, respectively.

Unconsolidated VIEs

The carrying amount and maximum exposure to loss relating to VIEs in which the Company holds a significant variable interest but is not the primary beneficiary and which have not been consolidated were as follows at:

	September 30, 2015		December 31, 2014	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured securities (RMBS, CMBS and ABS) (2)	\$ 13,555	\$ 13,555	\$ 9,322	\$ 9,322
U.S. and foreign corporate	485	485	526	526
Other limited partnership interests	1,641	1,959	1,774	2,162
Real estate joint ventures	35	39	47	51
Other invested assets	39	45	37	47
Equity securities AFS:				
Non-redeemable preferred stock	18	18	19	19
Total	\$ 15,773	\$ 16,101	\$ 11,725	\$ 12,127

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

4. Investments (continued)

- (1) The maximum exposure to loss relating to fixed maturity and equity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments. For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are guaranteed by creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of less than \$1 million at both September 30, 2015 and December 31, 2014. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.
- (2) For these variable interests, the Company's involvement is limited to that of a passive investor in mortgage-backed or asset-backed securities issued by trusts that do not have substantial equity.

As described in Note 9, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during both the nine months ended September 30, 2015 and 2014.

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions)			
Investment income:				
Fixed maturity securities	\$ 506	\$ 454	\$ 1,499	\$ 1,473
Equity securities	5	3	13	12
Mortgage loans	115	89	270	249
Policy loans	14	14	40	44
Real estate and real estate joint ventures	10	19	76	58
Other limited partnership interests	52	90	159	220
Cash, cash equivalents and short-term investments	1	2	6	4
Operating joint venture	—	—	8	(1)
Other	6	7	9	2
Subtotal	709	678	2,080	2,061
Less: Investment expenses	29	24	85	76
Subtotal, net	680	654	1,995	1,985
FVO CSEs — interest income — commercial mortgage loans	4	10	13	44
Net investment income	\$ 684	\$ 664	\$ 2,008	\$ 2,029

See “— Variable Interest Entities” for discussion of CSEs.

See “— Related Party Investment Transactions” for discussion of affiliated net investment income and investment expenses.

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

4. Investments (continued)

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions)			
Total gains (losses) on fixed maturity securities:				
Total OTTI losses recognized — by sector and industry:				
U.S. and foreign corporate securities — by industry:				
Transportation	\$ —	\$ —	\$ —	\$ (2)
Consumer	(8)	—	(8)	(1)
Industrial	(2)	—	(3)	—
Total U.S. and foreign corporate securities	(10)	—	(11)	(3)
RMBS	(1)	(6)	(3)	(8)
OTTI losses on fixed maturity securities recognized in earnings	(11)	(6)	(14)	(11)
Fixed maturity securities — net gains (losses) on sales and disposals	(20)	(9)	(4)	25
Total gains (losses) on fixed maturity securities	(31)	(15)	(18)	14
Total gains (losses) on equity securities:				
Total OTTI losses recognized — by sector:				
Non-redeemable preferred stock	—	—	—	(8)
Common stock	(1)	—	(2)	(7)
OTTI losses on equity securities recognized in earnings	(1)	—	(2)	(15)
Equity securities — net gains (losses) on sales and disposals	7	5	9	14
Total gains (losses) on equity securities	6	5	7	(1)
Mortgage loans	(2)	8	(7)	16
Real estate and real estate joint ventures	5	6	34	6
Other limited partnership interests	2	(1)	1	(5)
Other investment portfolio gains (losses)	(1)	41	(2)	42
Subtotal — investment portfolio gains (losses)	(21)	44	15	72
FVO CSEs :				
Commercial mortgage loans	(4)	1	(6)	(14)
Long-term debt — related to commercial mortgage loans	1	3	3	21
Non-investment portfolio gains (losses) (1)	—	(67)	1	(635)
Subtotal FVO CSEs and non-investment portfolio gains (losses)	(3)	(63)	(2)	(628)
Total net investment gains (losses)	\$ (24)	\$ (19)	\$ 13	\$ (556)

(1) There were no non-investment portfolio gains (losses) for the three months ended September 30, 2014 related to the disposition of MetLife Assurance Limited (“MAL”). Non-investment portfolio gains (losses) for the nine months ended September 30, 2014 includes a loss of \$608 million, related to the disposition of MAL. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

See “— Variable Interest Entities” for discussion of CSEs.

See “— Related Party Investment Transactions” for discussion of affiliated net investment gains (losses) related to transfers of invested assets to affiliates.

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

4. Investments (continued)

Gains (losses) from foreign currency transactions included within net investment gains (losses) were less than (\$1) million and (\$3) million for the three months and nine months ended September 30, 2015, respectively, and (\$71) million and (\$35) million for the three months and nine months ended September 30, 2014, respectively.

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

Proceeds from sales or disposals of fixed maturity and equity securities and the components of fixed maturity and equity securities net investment gains (losses) were as shown in the tables below. Investment gains and losses on sales of securities are determined on a specific identification basis.

	Three Months Ended September 30,			
	2015		2014	
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	\$ 7,084	\$ 3,248	\$ 34	\$ 27
Gross investment gains	\$ 54	\$ 4	\$ 9	\$ 6
Gross investment losses	(74)	(13)	(2)	(1)
OTTI losses	(11)	(6)	(1)	—
Net investment gains (losses)	\$ (31)	\$ (15)	\$ 6	\$ 5

	Nine Months Ended September 30,			
	2015		2014	
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	\$ 23,016	\$ 10,608	\$ 48	\$ 45
Gross investment gains	\$ 134	\$ 70	\$ 12	\$ 15
Gross investment losses	(138)	(45)	(3)	(1)
OTTI losses	(14)	(11)	(2)	(15)
Net investment gains (losses)	\$ (18)	\$ 14	\$ 7	\$ (1)

Credit Loss Rollforward

The table below presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held for which a portion of the OTTI loss was recognized in other comprehensive income (loss) (“OCI”):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015		2014	
	(In millions)			
Balance, beginning of period	\$ 48	\$ 56	\$ 57	\$ 59
Additions:				
Initial impairments — credit loss OTTI on securities not previously impaired	—	—	1	—
Additional impairments — credit loss OTTI on securities previously impaired	—	5	2	6
Reductions:				
Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI	(2)	(2)	(12)	(6)
Increase in cash flows — accretion of previous credit loss OTTI	(1)	—	(3)	—
Balance, end of period	\$ 45	\$ 59	\$ 45	\$ 59

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

4. Investments (continued)

Related Party Investment Transactions

The Company transfers invested assets, primarily consisting of fixed maturity securities, to and from affiliates. Invested assets transferred to and from affiliates were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions)			
Estimated fair value of invested assets transferred to affiliates	\$ —	\$ 520	\$ 101	\$ 965
Amortized cost of invested assets transferred to affiliates	\$ —	\$ 475	\$ 95	\$ 891
Net investment gains (losses) recognized on transfers	\$ —	\$ 45	\$ 6	\$ 74
Estimated fair value of invested assets transferred from affiliates	\$ —	\$ —	\$ 525	\$ 35

Below is a summary of certain affiliated loans, which are more fully described in Note 8 of the Notes of the Consolidated Financial Statements included in the 2014 Annual Report.

In July 2014, the Company sold to certain affiliates MetLife, Inc. affiliated loans, which were included in other invested assets, at estimated fair value totaling \$520 million and a \$45 million gain was recognized in net investment gains (losses). The affiliated loans had an unpaid principal balance of \$475 million. Net investment income from affiliated loans was less than \$1 million and \$14 million for the three months and nine months ended September 30, 2014, respectively.

The Company has affiliated loans outstanding to wholly-owned real estate subsidiaries of an affiliate, MLIC, which are included in mortgage loans, with a carrying value of \$110 million and \$242 million at September 30, 2015 and December 31, 2014, respectively. These affiliated loans are secured by interests in the real estate subsidiaries, which own operating real estate with an estimated fair value in excess of the loans. Net investment income from these affiliated loans was \$2 million and \$8 million for the three months and nine months ended September 30, 2015, respectively, and \$4 million and \$14 million for the three months and nine months ended September 30, 2014, respectively.

The Company receives investment administrative services from an affiliate. The related investment administrative service charges were \$17 million and \$51 million for the three months and nine months ended September 30, 2015, respectively, and \$15 million and \$47 million for the three months and nine months ended September 30, 2014, respectively.

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

5. Derivatives

Accounting for Derivatives

Freestanding Derivatives

Freestanding derivatives are carried on the Company’s balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivatives carrying value in other invested assets or other liabilities.

If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except as follows:

Statement of Operations Presentation:	Derivative:
Policyholder benefits and claims	<ul style="list-style-type: none"> • Economic hedges of variable annuity guarantees included in future policy benefits
Net investment income	<ul style="list-style-type: none"> • Economic hedges of equity method investments in joint ventures

Hedge Accounting

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. Hedge designation and financial statement presentation of changes in estimated fair value of the hedging derivatives are as follows:

- Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) - in net derivative gains (losses), consistent with the change in estimated fair value of the hedged item attributable to the designated risk being hedged.
- Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) - effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations when the Company’s earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).

The changes in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported on the statement of operations within interest income or interest expense to match the location of the hedged item.

In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument’s effectiveness and the method that will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging instrument.

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized in net derivative gains (losses). The carrying value of the hedged recognized asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company’s earnings are affected by the variability in cash flows of the hedged item.

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

5. Derivatives (continued)

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized currently in net derivative gains (losses). Deferred gains and losses of a derivative recorded in OCI pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in net derivative gains (losses).

In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value on the balance sheet, with changes in its estimated fair value recognized in the current period as net derivative gains (losses).

Embedded Derivatives

The Company sells variable annuities and issues certain insurance products and investment contracts and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at estimated fair value with changes in estimated fair value recorded in earnings;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses), except for those in policyholder benefits and claims related to ceded reinsurance of GMIB. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent “excess” fees and are reported in universal life and investment-type product policy fees.

See Note 6 for information about the fair value hierarchy for derivatives.

Derivative Strategies

The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.

Derivatives are financial instruments with values derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter (“OTC”) market. Certain of the Company’s OTC derivatives are cleared and settled through central clearing counterparties (“OTC-cleared”), while others are bilateral contracts between two counterparties (“OTC-bilateral”). The types of derivatives the Company uses include swaps, forwards, futures and option contracts. To a lesser extent, the Company uses credit default swaps to synthetically replicate investment risks and returns which are not readily available in the cash market.

Interest Rate Derivatives

The Company uses a variety of interest rate derivatives to reduce its exposure to changes in interest rates, including interest rate swaps, caps, floors, swaptions, futures and forwards.

Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional amount. The Company utilizes interest rate swaps in fair value, cash flow and non-qualifying hedging relationships.

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

5. Derivatives (continued)

The Company purchases interest rate caps and floors primarily to protect its floating rate liabilities against rises in interest rates above a specified level, and against interest rate exposure arising from mismatches between assets and liabilities, as well as to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level, respectively. In certain instances, the Company locks in the economic impact of existing purchased caps and floors by entering into offsetting written caps and floors. The Company utilizes interest rate caps and floors in non-qualifying hedging relationships.

In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded interest rate futures in non-qualifying hedging relationships.

Swaptions are used by the Company to hedge interest rate risk associated with the Company's long-term liabilities and invested assets. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. The Company utilizes swaptions in non-qualifying hedging relationships. Swaptions are included in interest rate options.

The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. The Company utilizes interest rate forwards in cash flow hedging relationships.

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency swaps to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in fair value, cash flow and non-qualifying hedging relationships.

To a lesser extent, the Company uses foreign currency forwards and exchange-traded currency futures in non-qualifying hedging relationships.

Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional amount in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations, repudiation, moratorium, involuntary restructuring or governmental intervention. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. ("ISDA") deems that a credit event has occurred. The Company utilizes credit default swaps in non-qualifying hedging relationships.

The Company enters into written credit default swaps to synthetically create credit investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instruments, such as U.S. Treasury securities, agency securities or other fixed maturity securities. These credit default swaps are not designated as hedging instruments.

To a lesser extent, the Company uses credit forwards to lock in the price to be paid for forward purchases of certain securities. The Company utilizes credit forwards in cash flow hedging relationships.

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

5. Derivatives (continued)

Equity Derivatives

The Company uses a variety of equity derivatives to reduce its exposure to equity market risk, including equity index options, equity variance swaps, exchange-traded equity futures and total rate of return swaps (“TRRs”).

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. To hedge against adverse changes in equity indices, the Company enters into contracts to sell the equity index within a limited time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise and the strike price. Certain of these contracts may also contain settlement provisions linked to interest rates. In certain instances, the Company may enter into a combination of transactions to hedge adverse changes in equity indices within a pre-determined range through the purchase and sale of options. The Company utilizes equity index options in non-qualifying hedging relationships.

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on changes in equity volatility over a defined period. The Company utilizes equity variance swaps in non-qualifying hedging relationships.

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded equity futures are used primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded equity futures in non-qualifying hedging relationships.

TRRs are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and the London Interbank Offered Rate (also, LIBOR), calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. The Company uses TRRs to hedge its equity market guarantees in certain of its insurance products. TRRs can be used as hedges or to synthetically create investments. The Company utilizes TRRs in non-qualifying hedging relationships.

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

5. Derivatives (continued)

Primary Risks Managed by Derivatives

The following table presents the gross notional amount, estimated fair value and primary underlying risk exposure of the Company's derivatives, excluding embedded derivatives, held at:

Primary Underlying Risk Exposure	September 30, 2015			December 31, 2014			
	Gross Notional Amount	Estimated Fair Value		Gross Notional Amount	Estimated Fair Value		
		Assets	Liabilities		Assets	Liabilities	
(In millions)							
Derivatives Designated as Hedging Instruments							
Fair value hedges:							
Interest rate swaps	Interest rate	\$ 421	\$ 39	\$ 3	\$ 379	\$ 33	\$ 2
Cash flow hedges:							
Interest rate swaps	Interest rate	293	86	—	369	81	—
Interest rate forwards	Interest rate	35	9	—	155	45	—
Foreign currency swaps	Foreign currency exchange rate	855	111	3	728	56	9
Subtotal		1,183	206	3	1,252	182	9
Total qualifying hedges		1,604	245	6	1,631	215	11
Derivatives Not Designated or Not Qualifying as Hedging Instruments							
Interest rate swaps	Interest rate	24,369	2,030	790	25,919	1,709	601
Interest rate floors	Interest rate	7,036	51	41	16,404	83	69
Interest rate caps	Interest rate	11,012	29	—	7,901	11	—
Interest rate futures	Interest rate	630	—	—	325	1	—
Interest rate options	Interest rate	18,620	616	1	29,870	446	16
Foreign currency swaps	Foreign currency exchange rate	715	72	2	672	59	4
Foreign currency forwards	Foreign currency exchange rate	116	—	1	48	3	—
Credit default swaps — purchased	Credit	27	—	—	45	—	1
Credit default swaps — written	Credit	2,108	10	2	1,924	29	1
Equity futures	Equity market	3,466	—	57	3,086	34	—
Equity index options	Equity market	34,622	1,086	533	27,212	854	613
Equity variance swaps	Equity market	15,581	129	469	15,433	120	435
TRRs	Equity market	2,836	182	2	2,332	12	67
Total non-designated or non-qualifying derivatives		121,138	4,205	1,898	131,171	3,361	1,807
Total		\$ 122,742	\$ 4,450	\$ 1,904	\$ 132,802	\$ 3,576	\$ 1,818

Based on gross notional amounts, a substantial portion of the Company's derivatives was not designated or did not qualify as part of a hedging relationship at both September 30, 2015 and December 31, 2014. The Company's use of derivatives includes (i) derivatives that serve as macro hedges of the Company's exposure to various risks and that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps that are used to synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these non-qualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

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

5. Derivatives (continued)

Net Derivative Gains (Losses)

The components of net derivative gains (losses) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(In millions)				
Derivatives and hedging gains (losses) (1)	\$ 1,105	\$ 307	\$ 639	\$ 500
Embedded derivatives gains (losses)	(1,389)	(310)	(855)	(515)
Total net derivative gains (losses)	<u>\$ (284)</u>	<u>\$ (3)</u>	<u>\$ (216)</u>	<u>\$ (15)</u>

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and non-qualifying hedging relationships, which are not presented elsewhere in this note.

The following table presents earned income on derivatives:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(In millions)				
Qualifying hedges:				
Net investment income	\$ 3	\$ 1	\$ 8	\$ 2
Interest credited to policyholder account balances	—	—	(1)	(1)
Non-qualifying hedges:				
Net derivative gains (losses)	91	147	268	247
Policyholder benefits and claims	3	74	10	10
Total	<u>\$ 97</u>	<u>\$ 222</u>	<u>\$ 285</u>	<u>\$ 258</u>

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

5. Derivatives (continued)

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The following table presents the amount and location of gains (losses) recognized in income for derivatives that were not designated or qualifying as hedging instruments:

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
(In millions)			
Three Months Ended September 30, 2015			
Interest rate derivatives	\$ 549	\$ —	\$ 17
Foreign currency exchange rate derivatives	30	—	—
Credit derivatives — purchased	—	—	—
Credit derivatives — written	(14)	—	—
Equity derivatives	455	(1)	260
Total	\$ 1,020	\$ (1)	\$ 277
Three Months Ended September 30, 2014			
Interest rate derivatives	\$ 79	\$ —	\$ 4
Foreign currency exchange rate derivatives	(64)	—	—
Credit derivatives — purchased	1	—	—
Credit derivatives — written	(9)	—	—
Equity derivatives	153	—	11
Total	\$ 160	\$ —	\$ 15
Nine Months Ended September 30, 2015			
Interest rate derivatives	\$ 268	\$ —	\$ 11
Foreign currency exchange rate derivatives	31	—	—
Credit derivatives — purchased	—	—	—
Credit derivatives — written	(19)	—	—
Equity derivatives	89	(2)	164
Total	\$ 369	\$ (2)	\$ 175
Nine Months Ended September 30, 2014			
Interest rate derivatives	\$ 655	\$ —	\$ 25
Foreign currency exchange rate derivatives	29	—	—
Credit derivatives — purchased	1	—	—
Credit derivatives — written	(8)	—	—
Equity derivatives	(438)	(7)	(145)
Total	\$ 239	\$ (7)	\$ (120)

- (1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures.
(2) Changes in estimated fair value related to economic hedges of variable annuity guarantees included in future policy benefits.

Fair Value Hedges

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

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

5. Derivatives (continued)

The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net derivative gains (losses). The following table presents the amount of such net derivative gains (losses):

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
(In millions)				
Three Months Ended September 30, 2015				
Interest rate swaps:	Fixed maturity securities	\$ (2)	\$ 2	\$ —
	Policyholder liabilities (1)	12	(12)	—
Total		<u>\$ 10</u>	<u>\$ (10)</u>	<u>\$ —</u>
Three Months Ended September 30, 2014				
Interest rate swaps:	Fixed maturity securities	\$ 1	\$ (1)	\$ —
	Policyholder liabilities (1)	5	(5)	—
Total		<u>\$ 6</u>	<u>\$ (6)</u>	<u>\$ —</u>
Nine Months Ended September 30, 2015				
Interest rate swaps:	Fixed maturity securities	\$ (2)	\$ 3	\$ 1
	Policyholder liabilities (1)	5	(5)	—
Total		<u>\$ 3</u>	<u>\$ (2)</u>	<u>\$ 1</u>
Nine Months Ended September 30, 2014				
Interest rate swaps:	Fixed maturity securities	\$ 1	\$ (1)	\$ —
	Policyholder liabilities (1)	19	(19)	—
Total		<u>\$ 20</u>	<u>\$ (20)</u>	<u>\$ —</u>

(1) Fixed rate liabilities reported in policyholder account balances or future policy benefits.

All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges when they have met the requirements of cash flow hedging: (i) interest rate swaps to convert floating rate assets and liabilities to fixed rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated assets and liabilities; (iii) interest rate forwards and credit forwards to lock in the price to be paid for forward purchases of investments; and (iv) interest rate swaps and interest rate forwards to hedge the forecasted purchases of fixed-rate investments.

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified amounts from AOCI into net derivative gains (losses). For both the three months and nine months ended September 30, 2015 and 2014, the amounts reclassified into net derivative gains (losses) related to such discontinued cash flow hedges were not significant.

At September 30, 2015 and December 31, 2014, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed four years and five years, respectively.

At September 30, 2015 and December 31, 2014, the balance in AOCI associated with cash flow hedges was \$361 million and \$282 million, respectively.

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

5. Derivatives (continued)

The following table presents the effects of derivatives in cash flow hedging relationships on the consolidated statements of operations and comprehensive income (loss) and the consolidated statements of stockholder's equity:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss)		Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives
	(Effective Portion)	(Effective Portion)		(Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Net Derivative Gains (Losses)
(In millions)				
Three Months Ended September 30, 2015				
Interest rate swaps	\$ 32	\$ —	\$ —	\$ (1)
Interest rate forwards	3	1	1	—
Foreign currency swaps	39	—	—	1
Credit forwards	—	1	—	—
Total	<u>\$ 74</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ —</u>
Three Months Ended September 30, 2014				
Interest rate swaps	\$ 17	\$ —	\$ —	\$ —
Interest rate forwards	7	(1)	—	—
Foreign currency swaps	29	(3)	—	—
Credit forwards	—	—	—	—
Total	<u>\$ 53</u>	<u>\$ (4)</u>	<u>\$ —</u>	<u>\$ —</u>
Nine Months Ended September 30, 2015				
Interest rate swaps	\$ 20	\$ 1	\$ 1	\$ —
Interest rate forwards	3	2	2	—
Foreign currency swaps	60	(2)	—	1
Credit forwards	—	—	—	—
Total	<u>\$ 83</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 1</u>
Nine Months Ended September 30, 2014				
Interest rate swaps	\$ 86	\$ —	\$ —	\$ —
Interest rate forwards	38	1	1	1
Foreign currency swaps	26	(4)	—	—
Credit forwards	—	—	—	—
Total	<u>\$ 150</u>	<u>\$ (3)</u>	<u>\$ 1</u>	<u>\$ 1</u>

All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

At September 30, 2015, \$26 million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified to earnings within the next 12 months.

Credit Derivatives

In connection with synthetically created credit investment transactions, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the non-qualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company's maximum amount at risk, assuming the value of all referenced credit obligations is zero, was \$2.1 billion and \$1.9 billion at September 30, 2015 and December 31, 2014, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps. At September 30, 2015 and December 31, 2014, the Company would have received \$8 million and \$28 million, respectively, to terminate all of these contracts.

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

5. Derivatives (continued)

The following table presents the estimated fair value, maximum amount of future payments and weighted average years to maturity of written credit default swaps at:

Rating Agency Designation of Referenced Credit Obligations (1)	September 30, 2015			December 31, 2014		
	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)
	(In millions)			(In millions)		
Aaa/Aa/A						
Single name credit default swaps (corporate)	\$ 1	\$ 202	1.7	\$ 2	\$ 155	2.1
Credit default swaps referencing indices	—	204	2.9	1	134	1.3
Subtotal	1	406	2.3	3	289	1.7
Baa						
Single name credit default swaps (corporate)	2	445	1.9	5	454	2.3
Credit default swaps referencing indices	5	1,221	5.0	18	1,145	5.0
Subtotal	7	1,666	4.2	23	1,599	4.2
B						
Single name credit default swaps (corporate)	—	—	—	—	—	—
Credit default swaps referencing indices	—	36	5.3	2	36	5.0
Subtotal	—	36	5.3	2	36	5.0
Total	\$ 8	\$ 2,108	3.8	\$ 28	\$ 1,924	3.8

- (1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.
- (2) Assumes the value of the referenced credit obligations is zero.
- (3) The weighted average years to maturity of the credit default swaps is calculated based on weighted average gross notional amounts.

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivatives. Generally, the current credit exposure of the Company's derivatives is limited to the net positive estimated fair value of derivatives at the reporting date after taking into consideration the existence of master netting or similar agreements and any collateral received pursuant to such agreements.

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company's OTC-bilateral derivative transactions are generally governed by ISDA Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions. Substantially all of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives.

The Company's OTC-cleared derivatives are effected through central clearing counterparties and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis (both initial margin and variation margin), and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.

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

5. Derivatives (continued)

See Note 6 for a description of the impact of credit risk on the valuation of derivatives.

The estimated fair values of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement (6)	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	\$ 4,448	\$ 1,762	\$ 3,554	\$ 1,767
OTC-cleared (1)	92	102	75	73
Exchange-traded	—	57	35	—
Total gross estimated fair value of derivatives (1)	4,540	1,921	3,664	1,840
Amounts offset on the consolidated balance sheets				
Estimated fair value of derivatives presented on the consolidated balance sheets (1)	—	—	—	—
	4,540	1,921	3,664	1,840
Gross amounts not offset on the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(1,659)	(1,659)	(1,592)	(1,592)
OTC-cleared	(87)	(87)	(54)	(54)
Exchange-traded	—	—	—	—
Cash collateral: (3), (4)				
OTC-bilateral	(2,042)	—	(753)	—
OTC-cleared	(5)	(15)	(21)	(18)
Exchange-traded	—	(19)	—	—
Securities collateral: (5)				
OTC-bilateral	(664)	(103)	(1,152)	(175)
OTC-cleared	—	—	—	—
Exchange-traded	—	(38)	—	—
Net amount after application of master netting agreements and collateral	\$ 83	\$ —	\$ 92	\$ 1

- (1) At September 30, 2015 and December 31, 2014, derivative assets included income or expense accruals reported in accrued investment income or in other liabilities of \$90 million and \$88 million, respectively, and derivative liabilities included income or expense accruals reported in accrued investment income or in other liabilities of \$17 million and \$22 million, respectively.
- (2) Estimated fair value of derivatives is limited to the amount that is subject to set-off and includes income or expense accruals.
- (3) Cash collateral received by the Company for OTC-bilateral and OTC-cleared derivatives is included in cash and cash equivalents, short-term investments or in fixed maturity securities, and the obligation to return it is included in payables for collateral under securities loaned and other transactions on the balance sheet. In certain instances, cash collateral pledged to the Company as initial margin for OTC-bilateral derivatives is held in separate custodial accounts and is not recorded on the Company's balance sheet because the account title is in the name of the counterparty (but segregated for the benefit of the Company). The amount of this off-balance sheet collateral was \$0 and \$121 million at September 30, 2015 and December 31, 2014, respectively.

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5. Derivatives (continued)

- (4) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At September 30, 2015 and December 31, 2014, the Company received excess cash collateral of \$3 million and \$33 million (including \$0 and \$33 million off-balance sheet cash collateral held in separate custodial accounts), respectively, and provided excess cash collateral of \$38 million and \$30 million, respectively, which is not included in the table above due to the foregoing limitation.
- (5) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but at September 30, 2015 none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At September 30, 2015 and December 31, 2014, the Company received excess securities collateral with an estimated fair value of \$65 million and \$122 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At September 30, 2015 and December 31, 2014, the Company provided excess securities collateral with an estimated fair value of \$6 million and \$17 million, respectively, for its OTC-bilateral derivatives, and \$34 million and \$37 million, respectively, for its OTC-cleared derivatives, and \$98 million and \$165 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.
- (6) See Note 4 for information regarding the Company’s gross and net payables and receivables under repurchase agreement transactions.

The Company’s collateral arrangements for its OTC-bilateral derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the estimated fair value of that counterparty’s derivatives reaches a pre-determined threshold. Certain of these arrangements also include financial strength-contingent provisions that provide for a reduction of these thresholds (on a sliding scale that converges toward zero) in the event of downgrades in the financial strength ratings of the Company and/or the credit ratings of the counterparty. In addition, certain of the Company’s netting agreements for derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade financial strength or credit rating from each of Moody’s and S&P. If a party’s financial strength or credit ratings were to fall below that specific investment grade financial strength or credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party’s reasonable valuation of the derivatives.

The following table presents the estimated fair value of the Company’s OTC-bilateral derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged. The table also presents the incremental collateral that the Company would be required to provide if there was a one notch downgrade in the Company’s financial strength rating at the reporting date or if the Company’s financial strength rating sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position at the reporting date. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

	Estimated Fair Value of Derivatives in Net Liability Position (1)	Estimated Fair Value of Collateral Provided		Fair Value of Incremental Collateral Provided Upon		
		Fixed Maturity Securities	One Notch Downgrade in the Company’s Financial Strength Rating	Downgrade in the Company’s Financial Strength Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position		
(In millions)						
September 30, 2015	\$ 103	\$ 109	\$ —	\$ —	\$ —	\$ —
December 31, 2014	\$ 175	\$ 192	\$ —	\$ —	\$ —	\$ —

- (1) After taking into consideration the existence of netting agreements.

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

5. Derivatives (continued)

Embedded Derivatives

The Company issues certain products or purchases certain investments that contain embedded derivatives that are required to be separated from their host contracts and accounted for as freestanding derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including GMWBs, guaranteed minimum accumulation benefits (“GMABs”) and certain GMIBs; affiliated ceded reinsurance of guaranteed minimum benefits related to GMWBs, GMABs and certain GMIBs; affiliated assumed reinsurance of guaranteed minimum benefits related to GMWBs and certain GMIBs; funds withheld on ceded reinsurance; fixed annuities with equity-indexed returns; and certain debt and equity securities.

The following table presents the estimated fair value and balance sheet location of the Company’s embedded derivatives that have been separated from their host contracts at:

	<u>Balance Sheet Location</u>	<u>September 30, 2015</u>	<u>December 31, 2014</u>
(In millions)			
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	\$ 261	\$ 217
Funds withheld on assumed reinsurance	Other invested assets	40	53
Options embedded in debt or equity securities	Investments	(53)	(48)
Net embedded derivatives within asset host contracts		\$ 248	\$ 222
Net embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	Policyholder account balances	\$ 587	\$ (609)
Assumed guaranteed minimum benefits	Policyholder account balances	955	827
Funds withheld on ceded reinsurance	Other liabilities	285	382
Other	Policyholder account balances	(13)	17
Net embedded derivatives within liability host contracts		\$ 1,814	\$ 617

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
(In millions)				
Net derivative gains (losses) (1), (2)	\$ (1,389)	\$ (310)	\$ (855)	\$ (515)
Policyholder benefits and claims	\$ 59	\$ 32	\$ 40	\$ 55

(1) The valuation of direct and assumed guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were \$103 million and \$89 million for the three months and nine months ended September 30, 2015, respectively, and \$27 million and \$18 million for the three months and nine months ended September 30, 2014, respectively.

(2) See Note 10 for discussion of affiliated net derivative gains (losses).

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

6. Fair Value

Considerable judgment is often required in interpreting market data to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Recurring Fair Value Measurements

The assets and liabilities measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy, including those items for which the Company has elected the FVO, are presented below.

	September 30, 2015			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	\$ —	\$ 15,237	\$ 1,496	\$ 16,733
U.S. Treasury and agency	7,667	5,885	—	13,552
RMBS	32	7,240	1,635	8,907
Foreign corporate	—	4,369	684	5,053
State and political subdivision	—	2,586	13	2,599
CMBS	—	1,948	207	2,155
ABS	—	1,986	507	2,493
Foreign government	—	708	—	708
Total fixed maturity securities	7,699	39,959	4,542	52,200
Equity securities:				
Common stock	62	124	31	217
Non-redeemable preferred stock	—	137	81	218
Total equity securities	62	261	112	435
Short-term investments (1)	796	2,226	656	3,678
Commercial mortgage loans held by CSEs — FVO	—	204	—	204
Derivative assets: (2)				
Interest rate	—	2,851	9	2,860
Foreign currency exchange rate	—	183	—	183
Credit	—	10	—	10
Equity market	—	1,163	234	1,397
Total derivative assets	—	4,207	243	4,450
Net embedded derivatives within asset host contracts (3)	—	—	301	301
Separate account assets (4)	210	99,066	150	99,426
Total assets	\$ 8,767	\$ 145,923	\$ 6,004	\$ 160,694
Liabilities				
Derivative liabilities: (2)				
Interest rate	\$ —	\$ 835	\$ —	\$ 835
Foreign currency exchange rate	—	6	—	6
Credit	—	2	—	2
Equity market	57	512	492	1,061
Total derivative liabilities	57	1,355	492	1,904
Net embedded derivatives within liability host contracts (3)	—	—	1,814	1,814
Long-term debt of CSEs — FVO	—	61	—	61
Total liabilities	\$ 57	\$ 1,416	\$ 2,306	\$ 3,779

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

6. Fair Value (continued)

	December 31, 2014			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
(In millions)				
Assets				
Fixed maturity securities:				
U.S. corporate	\$ —	\$ 15,447	\$ 1,355	\$ 16,802
U.S. Treasury and agency	10,226	5,600	—	15,826
RMBS	—	5,365	716	6,081
Foreign corporate	—	4,704	710	5,414
State and political subdivision	—	2,592	—	2,592
CMBS	—	1,531	148	1,679
ABS	—	1,381	181	1,562
Foreign government	—	741	—	741
Total fixed maturity securities	10,226	37,361	3,110	50,697
Equity securities:				
Common stock	105	99	29	233
Non-redeemable preferred stock	—	155	71	226
Total equity securities	105	254	100	459
Short-term investments (1)	253	812	71	1,136
Commercial mortgage loans held by CSEs — FVO	—	280	—	280
Derivative assets: (2)				
Interest rate	1	2,363	45	2,409
Foreign currency exchange rate	—	118	—	118
Credit	—	28	1	29
Equity market	34	770	216	1,020
Total derivative assets	35	3,279	262	3,576
Net embedded derivatives within asset host contracts (3)	—	—	270	270
Separate account assets (4)	249	108,454	158	108,861
Total assets	\$ 10,868	\$ 150,440	\$ 3,971	\$ 165,279
Liabilities				
Derivative liabilities: (2)				
Interest rate	\$ —	\$ 688	\$ —	\$ 688
Foreign currency exchange rate	—	13	—	13
Credit	—	2	—	2
Equity market	—	657	458	1,115
Total derivative liabilities	—	1,360	458	1,818
Net embedded derivatives within liability host contracts (3)	—	—	617	617
Long-term debt of CSEs — FVO	—	139	—	139
Total liabilities	\$ —	\$ 1,499	\$ 1,075	\$ 2,574

- (1) Short-term investments as presented in the tables above differ from the amounts presented on the consolidated balance sheets because certain short-term investments are not measured at estimated fair value on a recurring basis.
- (2) Derivative assets are presented within other invested assets on the consolidated balance sheets and derivative liabilities are presented within other liabilities on the consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation on the consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables.

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

6. Fair Value (continued)

- (3) Net embedded derivatives within asset host contracts are presented primarily within premiums, reinsurance and other receivables on the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented within policyholder account balances and other liabilities on the consolidated balance sheets. At September 30, 2015 and December 31, 2014, debt and equity securities also included embedded derivatives of (\$53) million and (\$48) million, respectively.
- (4) 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 estimated fair value of separate account assets.

The following describes the valuation methodologies used to measure assets and liabilities at fair value. The description includes the valuation techniques and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy.

Investments

Valuation Controls and Procedures

On behalf of the Company and MetLife, Inc.'s Chief Investment Officer and Chief Financial Officer, a pricing and valuation committee that is independent of the trading and investing functions and comprised of senior management provides oversight of control systems and valuation policies for securities, mortgage loans and derivatives. On a quarterly basis, this committee reviews and approves new transaction types and markets, ensures that observable market prices and market-based parameters are used for valuation, wherever possible, and determines that judgmental valuation adjustments, when applied, are based upon established policies and are applied consistently over time. This committee also provides oversight of the selection of independent third party pricing providers and the controls and procedures to evaluate third party pricing. Periodically, the Chief Accounting Officer reports to MetLife Insurance Company USA's Audit Committee regarding compliance with fair value accounting standards.

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management's knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as "consensus pricing," represent a reasonable estimate of fair value by considering such pricing relative to the Company's knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 9% of the total estimated fair value of Level 3 fixed maturity securities at September 30, 2015.

The Company also applies a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If prices received from independent pricing services are not considered reflective of market activity or representative of estimated fair value, independent non-binding broker quotations are obtained, or an internally developed valuation is prepared. Internally developed valuations of current estimated fair value, which reflect internal estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences in the estimated fair values for the majority of the portfolio; accordingly, overrides were not material. This is, in part, because internal estimates of liquidity and nonperformance risks are generally based on available market evidence and estimates used by other market participants. In the absence of such market-based evidence, management's best estimate is used.

Securities, Short-term Investments and Long-term Debt of CSEs — FVO

When available, the estimated fair value of these financial instruments 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's judgment.

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

6. Fair Value (continued)

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. 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. When observable inputs are not available, the market standard valuation methodologies 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's judgment or estimation and cannot be supported by reference to market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such securities and are considered appropriate given the circumstances.

The estimated fair value of long-term debt of CSEs — FVO is determined on a basis consistent with the methodologies described herein for securities.

The valuation of most instruments listed below is determined using independent pricing sources, matrix pricing, discounted cash flow methodologies or other similar techniques that use either observable market inputs or unobservable inputs.

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

6. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Fixed Maturity Securities		
U.S. corporate and Foreign corporate securities		
	Valuation Techniques: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • quoted prices in markets that are not active • benchmark yields • spreads off benchmark yields • new issuances • issuer rating • duration • trades of identical or comparable securities • Privately-placed securities are valued using the additional key inputs: <ul style="list-style-type: none"> • market yield curve • call provisions • observable prices and spreads for similar publicly traded or privately traded securities that incorporate the credit quality and industry sector of the issuer • delta spread adjustments to reflect specific credit-related issues 	Valuation Techniques: Principally the market approach. Key Inputs: <ul style="list-style-type: none"> • illiquidity premium • delta spread adjustments to reflect specific credit-related issues • credit spreads • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • independent non-binding broker quotations
U.S. Treasury and agency, State and political subdivision and Foreign government securities		
	Valuation Techniques: Principally the market approach. Key Inputs: <ul style="list-style-type: none"> • quoted prices in markets that are not active • benchmark U.S. Treasury yield or other yields • the spread off the U.S. Treasury yield curve for the identical security • issuer ratings and issuer spreads • broker-dealer quotes • comparable securities that are actively traded • reported trades of similar securities, including those that are actively traded, and those within the same sub-sector or with a similar maturity or credit rating 	Valuation Techniques: Principally the market approach. Key Inputs: <ul style="list-style-type: none"> • independent non-binding broker quotations • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • credit spreads
Structured securities comprised of RMBS, CMBS and ABS		
	Valuation Techniques: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • quoted prices in markets that are not active • spreads for actively traded securities • spreads off benchmark yields • expected prepayment speeds and volumes • current and forecasted loss severity • ratings • weighted average coupon and weighted average maturity • average delinquency rates • geographic region • debt-service coverage ratios • issuance-specific information, including, but not limited to: <ul style="list-style-type: none"> • collateral type • payment terms of the underlying assets • payment priority within the tranche • structure of the security • deal performance • vintage of loans 	Valuation Techniques: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • credit spreads • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • independent non-binding broker quotations

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

6. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Equity Securities		
Common and Non-redeemable preferred stock		
	Valuation Techniques: Principally the market approach. Key Input: <ul style="list-style-type: none"> • quoted prices in markets that are not considered active 	Valuation Techniques: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • credit ratings • issuance structures • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • independent non-binding broker quotations
Short-term investments		
	<ul style="list-style-type: none"> • Short-term investments are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation techniques and observable inputs used in their valuation are also similar to those described above. 	<ul style="list-style-type: none"> • Short-term investments are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation techniques and unobservable inputs used in their valuation are also similar to those described above.
Commercial mortgage loans held by CSEs — FVO		
	Valuation Techniques: Principally the market approach. Key Input: <ul style="list-style-type: none"> • quoted securitization market price of the obligations of the CSEs determined principally by independent pricing services using observable inputs 	<ul style="list-style-type: none"> • N/A
Separate Account Assets (1)		
Mutual funds without readily determinable fair values as prices are not published publicly		
	Key Input: <ul style="list-style-type: none"> • quoted prices or reported NAV provided by the fund managers 	<ul style="list-style-type: none"> • N/A
Other limited partnership interests		
	<ul style="list-style-type: none"> • N/A 	Valuation Techniques: Valued giving consideration to the underlying holdings of the partnerships and by applying a premium or discount, if appropriate. Key Inputs: <ul style="list-style-type: none"> • liquidity • bid/ask spreads • the performance record of the fund manager • other relevant variables that may impact the exit value of the particular partnership interest

(1) Estimated fair value equals carrying value, based on the value of the underlying assets, including: mutual fund interests, fixed maturity securities, equity securities, derivatives, other limited partnership interests, short-term investments and cash and cash equivalents. Fixed maturity securities, equity securities, derivatives, short-term investments and cash and cash equivalents are similar in nature to the instruments described under “— Securities, Short-term Investments and Long-term Debt of CSEs — FVO” and “— Derivatives — Freestanding Derivatives Valuation Techniques and Key Inputs.”

Derivatives

The estimated 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 OTC-bilateral and OTC-cleared derivatives. The determination of estimated fair value when quoted market values are not available is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing such instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models. The valuation controls and procedures for derivatives are described in “— Investments.”

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

6. Fair Value (continued)

The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Certain OTC-bilateral and OTC-cleared derivatives may 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 may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what other market participants would use when pricing such instruments.

Most inputs for OTC-bilateral and OTC-cleared derivatives are mid-market inputs but, in certain cases, liquidity adjustments are made when they are deemed more representative of exit value. Market liquidity, as well as 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.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-bilateral and OTC-cleared derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its OTC-bilateral and OTC-cleared derivatives using standard swap curves which may include a spread to the risk-free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments are not currently required in the valuation process. The Company’s ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

Freestanding Derivatives Valuation Techniques and Key Inputs

Level 2

This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1 and those derivatives with unobservable inputs as described in Level 3.

Level 3

These valuation methodologies generally use the same inputs as described in the corresponding sections for Level 2 measurements of derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data.

Freestanding derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models. Key inputs are as follows:

Instrument	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market
Inputs common to Level 2 and Level 3 by instrument type	<ul style="list-style-type: none"> • swap yield curve • basis curves • interest rate volatility (1) 	<ul style="list-style-type: none"> • swap yield curve • basis curves • currency spot rates • cross currency basis curves 	<ul style="list-style-type: none"> • swap yield curve • credit curves • recovery rates 	<ul style="list-style-type: none"> • swap yield curve • spot equity index levels • dividend yield curves • equity volatility (1)
Level 3	<ul style="list-style-type: none"> • swap yield curve (2) • basis curves (2) 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • swap yield curve (2) • credit curves (2) • credit spreads • repurchase rates • independent non-binding broker quotations 	<ul style="list-style-type: none"> • dividend yield curves (2) • equity volatility (1), (2) • correlation between model inputs (1)

(1) Option-based only.

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

6. Fair Value (continued)

- (2) Extrapolation beyond the observable limits of the curve(s).

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees, equity or bond indexed crediting rates within certain annuity contracts, and those related to funds withheld on ceded reinsurance. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

The Company issues certain variable annuity products with guaranteed minimum benefits. GMWBs, GMABs and certain GMIBs contain embedded derivatives, which are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the consolidated balance sheets.

The Company's actuarial department calculates the fair value of these embedded derivatives, which are estimated as the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior. The calculation is based on in-force business, and is performed using standard actuarial valuation software which projects future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable risk-free rates.

Capital market assumptions, such as risk-free rates and implied volatilities, are based on market prices for publicly traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.

The valuation of these guarantee liabilities includes nonperformance risk adjustments and adjustments for a risk margin related to non-capital market inputs. The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife, Inc.'s debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries compared to MetLife, Inc.

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, including assumptions of the amount and cost of capital needed to cover the guarantees. These guarantees 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 nonperformance risk; and variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs, may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income.

The Company assumed from an affiliated insurance company the risk associated with certain GMIBs. These embedded derivatives are included in other policy-related balances on the consolidated balance sheets with changes in estimated fair value reported in net derivative gains (losses). The value of the embedded derivatives on these assumed risks is determined using a methodology consistent with that described previously for the guarantees directly written by the Company.

The Company ceded to an affiliated reinsurance company the risk associated with certain of the GMIBs, GMABs and GMWBs described above that are also accounted for as embedded derivatives. In addition to ceding risks associated with guarantees that are accounted for as embedded derivatives, the Company also cedes, to the same affiliated reinsurance company, certain directly written GMIBs that are accounted for as insurance (i.e., not as embedded derivatives), but where the reinsurance agreement contains an embedded derivative. These embedded derivatives are included within premiums, reinsurance and other receivables on the consolidated balance sheets with changes in estimated fair value reported in net derivative gains (losses). The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

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6. Fair Value (continued)

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

The Company issues certain annuity contracts which allow the policyholder to participate in returns from equity indices. These equity indexed features are embedded derivatives which are measured at estimated fair value separately from the host fixed annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the consolidated balance sheets.

The estimated fair value of the embedded equity indexed derivatives, based on the present value of future equity returns to the policyholder using actuarial and present value assumptions including expectations concerning policyholder behavior, is calculated by the Company’s actuarial department. The calculation is based on in-force business and uses standard capital market techniques, such as Black-Scholes, to calculate the value of the portion of the embedded derivative for which the terms are set. The portion of the embedded derivative covering the period beyond where terms are set is calculated as the present value of amounts expected to be spent to provide equity indexed returns in those periods. The valuation of these embedded derivatives also includes the establishment of a risk margin, as well as changes in nonperformance risk.

Embedded Derivatives Within Asset and Liability Host Contracts**Level 3 Valuation Techniques and Key Inputs:****Direct and assumed guaranteed minimum benefits**

These embedded derivatives are principally valued using the income approach. Valuations are based on option pricing techniques, which utilize significant inputs that may include swap yield curve, currency exchange rates and implied volatilities. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include: the extrapolation beyond observable limits of the swap yield curve and implied volatilities, actuarial assumptions for policyholder behavior and mortality and the potential variability in policyholder behavior and mortality, nonperformance risk and cost of capital for purposes of calculating the risk margin.

Reinsurance ceded on certain guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. The valuation techniques and significant market standard unobservable inputs used in their valuation are similar to those described above in “— Direct and assumed guaranteed minimum benefits” and also include counterparty credit spreads.

Transfers between Levels

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity. Transfers into or out of any level are assumed to occur at the beginning of the period.

Transfers between Levels 1 and 2:

For assets and liabilities measured at estimated fair value and still held at September 30, 2015 and December 31, 2014, transfers between Levels 1 and 2 were not significant.

Transfers into or out of Level 3:

Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

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6. Fair Value (continued)

Transfers into Level 3 for fixed maturity securities were due primarily to a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade) which have resulted in decreased transparency of valuations and an increased use of independent non-binding broker quotations and unobservable inputs, such as illiquidity premiums, delta spread adjustments, or credit spreads.

Transfers out of Level 3 for fixed maturity securities resulted primarily from increased transparency of both new issuances that, subsequent to issuance and establishment of trading activity, became priced by independent pricing services and existing issuances that, over time, the Company was able to obtain pricing from, or corroborate pricing received from, independent pricing services with observable inputs (such as observable spreads used in pricing securities) or increases in market activity and upgraded credit ratings.

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

The following table presents certain quantitative information about the significant unobservable inputs used in the fair value measurement, and the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at:

	Valuation Techniques	Significant Unobservable Inputs	September 30, 2015		December 31, 2014		Impact of Increase in Input on Estimated Fair Value (2)
			Range	Weighted Average (1)	Range	Weighted Average (1)	
Fixed maturity securities (3)							
U.S. corporate and foreign corporate	• Matrix pricing	• Delta spread adjustments (4)	(40) - 240	47	(35) - 240	51	Decrease
	• Market pricing	• Quoted prices (5)	1 - 780	345	— - 750	418	Increase
	• Consensus pricing	• Offered quotes (5)	68 - 95	80	78 - 103	86	Increase
RMBS	• Market pricing	• Quoted prices (5)	33 - 165	94	1 - 117	107	Increase (6)
ABS	• Market pricing	• Quoted prices (5)	97 - 103	100	97 - 108	101	Increase (6)
	• Consensus pricing	• Offered quotes (5)	66 - 106	100	62 - 106	99	Increase (6)
Derivatives							
Interest rate	• Present value techniques	• Swap yield (7)	303 - 303		278 - 297		Increase (11)
Credit	• Present value techniques	• Credit spreads (8)	100 - 100		99 - 99		Decrease (8)
	• Consensus pricing	• Offered quotes (9)					
Equity market	• Present value techniques or option pricing models	• Volatility (10)	23% - 33%		15% - 27%		Increase (11)
		• Correlation (12)	70% - 70%		70% - 70%		
Embedded derivatives							
Direct and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates:					
		Ages 0 - 40	0% - 0.09%		0% - 0.10%		Decrease (13)
		Ages 41 - 60	0.04% - 0.65%		0.04% - 0.65%		Decrease (13)
		Ages 61 - 115	0.26% - 100%		0.26% - 100%		Decrease (13)
		• Lapse rates:					
		Durations 1 - 10	0.25% - 100%		0.50% - 100%		Decrease (14)
		Durations 11 - 20	3% - 100%		3% - 100%		Decrease (14)
		Durations 21 - 116	3% - 100%		3% - 100%		Decrease (14)
		• Utilization rates	0% - 25%		20% - 50%		Increase (15)
		• Withdrawal rates	0.25% - 10%		0.07% - 10%		(16)
• Long-term equity volatilities	17.40% - 25%		17.40% - 25%		Increase (17)		
• Nonperformance risk spread	0.05% - 0.56%		0.03% - 1.39%		Decrease (18)		

(1) The weighted average for fixed maturity securities is determined based on the estimated fair value of the securities.

(2) The impact of a decrease in input would have the opposite impact on the estimated fair value. For embedded derivatives, changes to direct guaranteed minimum benefits are based on liability positions and changes to ceded guaranteed minimum benefits are based on asset positions.

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

6. Fair Value (continued)

- (3) Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations.
- (4) Range and weighted average are presented in basis points.
- (5) Range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.
- (6) Changes in the assumptions used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.
- (7) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curve is utilized among different types of derivatives to project cash flows, as well as to discount future cash flows to present value. Since this valuation methodology uses a range of inputs across a yield curve to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
- (8) Represents the risk quoted in basis points of a credit default event on the underlying instrument. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.
- (9) At both September 30, 2015 and December 31, 2014, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.
- (10) Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a range of inputs across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
- (11) Changes are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.
- (12) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a range of correlation factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations.
- (13) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
- (14) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value, as in the money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
- (15) The utilization rate assumption estimates the percentage of contract holders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract's withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
- (16) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.
- (17) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

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6. Fair Value (continued)

- (18) Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets and embedded derivatives within funds withheld related to certain ceded reinsurance, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table. The valuation techniques and significant unobservable inputs used in the fair value measurement for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in “— Nonrecurring Fair Value Measurements.”

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6. Fair Value (continued)

The following tables summarize the change of all assets and (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Fixed Maturity Securities					
	U.S. Corporate	RMBS	Foreign Corporate	State and Political Subdivision	CMBS	ABS
	(In millions)					
Three Months Ended September 30, 2015						
Balance, beginning of period	\$ 1,412	\$ 1,025	\$ 664	\$ 8	\$ 194	\$ 545
Total realized/unrealized gains (losses) included in:						
Net income (loss): (1), (2)						
Net investment income	5	6	—	—	—	—
Net investment gains (losses)	5	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—
OCI	(11)	(15)	(29)	—	—	—
Purchases (3)	74	717	37	5	22	166
Sales (3)	(23)	(73)	(12)	—	(1)	(58)
Issuances (3)	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—
Transfers into Level 3 (4)	122	62	24	—	—	—
Transfers out of Level 3 (4)	(88)	(87)	—	—	(8)	(146)
Balance, end of period	<u>\$ 1,496</u>	<u>\$ 1,635</u>	<u>\$ 684</u>	<u>\$ 13</u>	<u>\$ 207</u>	<u>\$ 507</u>
Changes in unrealized gains (losses) included in net income (loss): (5)						
Net investment income	\$ 6	\$ 6	\$ —	\$ —	\$ —	\$ —
Net investment gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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6. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)									
	Equity Securities			Net Derivatives (6)						
	Common Stock	Non- redeemable Preferred Stock	Short-term Investments	Interest Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)		
(In millions)										
Three Months Ended September 30, 2015										
Balance, beginning of period	\$ 30	\$ 80	\$ 374	\$ 7	\$ —	\$ (301)	\$ (58)	\$ 150		
Total realized/unrealized gains (losses) included in:										
Net income (loss): (1), (2)										
Net investment income	—	—	—	—	—	—	—	—		
Net investment gains (losses)	—	—	—	—	—	—	—	—		
Net derivative gains (losses)	—	—	—	—	—	43	(1,388)	—		
Policyholder benefits and claims	—	—	—	—	—	—	59	—		
OCI	1	1	—	2	—	—	—	—		
Purchases (3)	—	—	656	—	—	—	—	—	1	
Sales (3)	—	—	—	—	—	—	—	—	(1)	
Issuances (3)	—	—	—	—	—	—	—	—		
Settlements (3)	—	—	—	—	—	—	(126)	—		
Transfers into Level 3 (4)	—	—	—	—	—	—	—	—		
Transfers out of Level 3 (4)	—	—	(374)	—	—	—	—	—		
Balance, end of period	<u>\$ 31</u>	<u>\$ 81</u>	<u>\$ 656</u>	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ (258)</u>	<u>\$ (1,513)</u>	<u>\$ 150</u>		
Changes in unrealized gains (losses) included in net income (loss): (5)										
Net investment income	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		
Net investment gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 43	\$ (1,378)	\$ —		
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 60	\$ —		

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

6. Fair Value (continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
Fixed Maturity Securities							
	U.S. Corporate	RMBS	Foreign Corporate	State and Political Subdivision	CMBS	ABS	
(In millions)							
Three Months Ended September 30, 2014							
Balance, beginning of period	\$ 1,428	\$ 558	\$ 723	\$ 3	\$ 127	\$ 233	
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	2	1	—	—	—	—	
Net investment gains (losses)	—	—	—	—	—	—	
Net derivative gains (losses)	—	—	—	—	—	—	
Policyholder benefits and claims	—	—	—	—	—	—	
OCI	15	6	(22)	—	—	—	
Purchases (3)	59	62	35	—	17	137	
Sales (3)	(27)	(29)	(1)	—	(4)	(4)	
Issuances (3)	—	—	—	—	—	—	
Settlements (3)	—	—	—	—	—	—	
Transfers into Level 3 (4)	3	—	43	—	6	—	
Transfers out of Level 3 (4)	(28)	(5)	(21)	—	(2)	(119)	
Balance, end of period	<u>\$ 1,452</u>	<u>\$ 593</u>	<u>\$ 757</u>	<u>\$ 3</u>	<u>\$ 144</u>	<u>\$ 247</u>	
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	\$ 2	\$ 1	\$ —	\$ —	\$ —	\$ —	
Net investment gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	

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

6. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Equity Securities			Net Derivatives (6)					
	Common Stock	Non- redeemable Preferred Stock	Short-term Investments	Interest Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	
(In millions)									
Three Months Ended September 30, 2014									
Balance, beginning of period	\$ 36	\$ 81	\$ —	\$ 23	\$ 3	\$ (379)	\$ (340)	\$	161
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	—	—	—	—	—	—
Net investment gains (losses)	—	2	—	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	(3)	50	(289)	—	—
Policyholder benefits and claims	—	—	—	—	—	(2)	32	—	—
OCI	—	(4)	—	7	—	2	107	—	—
Purchases (3)	—	—	—	—	—	—	—	—	2
Sales (3)	(1)	(13)	—	—	—	—	—	—	(2)
Issuances (3)	—	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	(2)	—	—	(266)	—	—
Transfers into Level 3 (4)	—	—	—	—	—	—	—	—	4
Transfers out of Level 3 (4)	(5)	—	—	—	—	—	—	—	(1)
Balance, end of period	<u>\$ 30</u>	<u>\$ 66</u>	<u>\$ —</u>	<u>\$ 28</u>	<u>\$ —</u>	<u>\$ (329)</u>	<u>\$ (756)</u>	<u>\$</u>	<u>164</u>
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net investment gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ (3)	\$ 50	\$ (341)	\$	\$ —
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (3)	\$ 33	\$	\$ —

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

6. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Fixed Maturity Securities					
	U.S. Corporate	RMBS	Foreign Corporate	State and Political Subdivision	CMBS	ABS
	(In millions)					
Nine Months Ended September 30, 2015						
Balance, beginning of period	\$ 1,355	\$ 716	\$ 710	\$ —	\$ 148	\$ 181
Total realized/unrealized gains (losses) included in:						
Net income (loss): (1), (2)						
Net investment income	10	14	2	—	—	—
Net investment gains (losses)	5	(1)	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—
OCI	(64)	(13)	(51)	—	—	(1)
Purchases (3)	161	1,176	51	13	95	442
Sales (3)	(45)	(203)	(59)	—	(1)	(60)
Issuances (3)	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—
Transfers into Level 3 (4)	129	12	31	—	—	22
Transfers out of Level 3 (4)	(55)	(66)	—	—	(35)	(77)
Balance, end of period	<u>\$ 1,496</u>	<u>\$ 1,635</u>	<u>\$ 684</u>	<u>\$ 13</u>	<u>\$ 207</u>	<u>\$ 507</u>
Changes in unrealized gains (losses) included in net income (loss): (5)						
Net investment income	\$ 10	\$ 13	\$ 2	\$ —	\$ —	\$ —
Net investment gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

6. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Equity Securities			Net Derivatives (6)					
	Common Stock	Non-redeemable Preferred Stock	Short-term Investments	Interest Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	
(In millions)									
Nine Months Ended September 30, 2015									
Balance, beginning of period	\$ 29	\$ 71	\$ 71	\$ 45	\$ 1	\$ (242)	\$ (347)	\$ 158	
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	—	—	—	—	—	
Net investment gains (losses)	—	—	—	—	—	—	—	—	
Net derivative gains (losses)	—	—	—	(8)	(1)	(22)	(850)	—	
Policyholder benefits and claims	—	—	—	—	—	1	40	—	
OCI	2	(2)	—	3	—	—	—	—	
Purchases (3)	—	—	656	—	—	4	—	1	
Sales (3)	—	—	—	—	—	—	—	(6)	
Issuances (3)	—	—	—	—	—	—	—	—	
Settlements (3)	—	—	—	(31)	—	1	(356)	—	
Transfers into Level 3 (4)	—	19	—	—	—	—	—	—	
Transfers out of Level 3 (4)	—	(7)	(71)	—	—	—	—	(3)	
Balance, end of period	<u>\$ 31</u>	<u>\$ 81</u>	<u>\$ 656</u>	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ (258)</u>	<u>\$ (1,513)</u>	<u>\$ 150</u>	
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Net investment gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ (22)	\$ (863)	\$ —	
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 41	\$ —	

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

6. Fair Value (continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
Fixed Maturity Securities						
U.S. Corporate	RMBS	Foreign Corporate	State and Political Subdivision	CMBS	ABS	
(In millions)						
Nine Months Ended September 30, 2014						
Balance, beginning of period	\$ 1,270	\$ 450	\$ 779	\$ —	\$ 129	\$ 426
Total realized/unrealized gains (losses) included in:						
Net income (loss): (1), (2)						
Net investment income	5	3	1	—	—	—
Net investment gains (losses)	(1)	3	(3)	—	—	1
Net derivative gains (losses)	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—
OCI	60	17	10	—	1	(1)
Purchases (3)	104	185	35	—	39	164
Sales (3)	(95)	(60)	(47)	—	(9)	(119)
Issuances (3)	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—
Transfers into Level 3 (4)	163	14	42	3	—	—
Transfers out of Level 3 (4)	(54)	(19)	(60)	—	(16)	(224)
Balance, end of period	<u>\$ 1,452</u>	<u>\$ 593</u>	<u>\$ 757</u>	<u>\$ 3</u>	<u>\$ 144</u>	<u>\$ 247</u>
Changes in unrealized gains (losses) included in net income (loss): (5)						
Net investment income	\$ 5	\$ 3	\$ —	\$ —	\$ —	\$ —
Net investment gains (losses)	\$ (2)	\$ —	\$ (2)	\$ —	\$ —	\$ —
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

6. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities			Net Derivatives (6)				
	Common Stock	Non-redeemable Preferred Stock	Short-term Investments	Interest Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)
(In millions)								
Nine Months Ended September 30, 2014								
Balance, beginning of period	\$ 31	\$ 100	\$ —	\$ 11	\$ 6	\$ (309)	\$ 288	\$ 153
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	—	—	—	—	—
Net investment gains (losses)	(3)	1	—	—	—	—	—	5
Net derivative gains (losses)	—	—	—	17	(6)	(30)	(504)	—
Policyholder benefits and claims	—	—	—	—	—	4	55	—
OCI	8	2	—	38	—	2	84	—
Purchases (3)	—	—	—	—	—	4	—	11
Sales (3)	(6)	(19)	—	—	—	—	—	(8)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	(38)	—	—	(679)	—
Transfers into Level 3 (4)	—	—	—	—	—	—	—	3
Transfers out of Level 3 (4)	—	(18)	—	—	—	—	—	—
Balance, end of period	<u>\$ 30</u>	<u>\$ 66</u>	<u>\$ —</u>	<u>\$ 28</u>	<u>\$ —</u>	<u>\$ (329)</u>	<u>\$ (756)</u>	<u>\$ 164</u>
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net investment gains (losses)	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ (6)	\$ (29)	\$ (543)	\$ —
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4	\$ 57	\$ —

- (1) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities are included in net investment gains (losses). Lapses associated with net embedded derivatives are included in net derivative gains (losses).
- (2) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.
- (3) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. Fees attributed to embedded derivatives are included in settlements.
- (4) Gains and losses in net income (loss) and OCI are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.
- (5) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods.
- (6) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.
- (7) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.
- (8) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income. For the purpose of this disclosure, these changes are presented within net investment gains (losses).

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

6. Fair Value (continued)

Fair Value Option

The following table presents information for certain assets and liabilities of CSEs, which are accounted for under the FVO. These assets and liabilities were initially measured at fair value.

	September 30, 2015		December 31, 2014	
	(In millions)			
Assets (1)				
Unpaid principal balance	\$	152	\$	223
Difference between estimated fair value and unpaid principal balance		52		57
Carrying value at estimated fair value	\$	204	\$	280
Liabilities (1)				
Contractual principal balance	\$	58	\$	133
Difference between estimated fair value and contractual principal balance		3		6
Carrying value at estimated fair value	\$	61	\$	139

- (1) These assets and liabilities are comprised of commercial mortgage loans and long-term debt. Changes in estimated fair value on these assets and liabilities and gains or losses on sales of these assets are recognized in net investment gains (losses). Interest income on commercial mortgage loans held by CSEs — FVO is recognized in net investment income. Interest expense from long-term debt of CSEs — FVO is recognized in other expenses.

Nonrecurring Fair Value Measurements

The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods and still held at the reporting dates (for example, when there is evidence of impairment). The estimated fair values for these assets were determined using significant unobservable inputs (Level 3).

	At September 30,		Three Months Ended September 30,		Nine Months Ended September 30,					
	2015	2014	2015	2014	2015	2014				
	Carrying Value After Measurement		Gains (Losses)							
	(In millions)									
Mortgage loans (1)	\$	3	\$	3	\$	—	\$	—	\$	—
Other limited partnership interests (2)	\$	—	\$	9	\$	—	\$	(1)	\$	(5)

- (1) Estimated fair values for impaired mortgage loans are based on independent broker quotations or valuation models using unobservable inputs or, if the loans are in foreclosure or are otherwise determined to be collateral dependent, are based on the estimated fair value of the underlying collateral or the present value of the expected future cash flows.
- (2) For these cost method investments, estimated fair value is determined from information provided in the financial statements of the underlying entities including NAV data. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments at both September 30, 2015 and 2014 were not significant.

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

6. Fair Value (continued)

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income, payables for collateral under securities loaned and other transactions and those short-term investments that are not securities, such as time deposits, and therefore are not included in the three level hierarchy table disclosed in the “— Recurring Fair Value Measurements” section. The estimated fair value of the excluded financial instruments, which are primarily classified in Level 2, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the table below are not considered financial instruments subject to this disclosure.

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows at:

	September 30, 2015				
	Carrying Value	Fair Value Hierarchy			Total Estimated Fair Value
		Level 1	Level 2	Level 3	
(In millions)					
Assets					
Mortgage loans	\$ 6,661	\$ —	\$ —	\$ 7,036	\$ 7,036
Policy loans	\$ 1,174	\$ —	\$ 822	\$ 448	\$ 1,270
Real estate joint ventures	\$ 27	\$ —	\$ —	\$ 71	\$ 71
Other limited partnership interests	\$ 56	\$ —	\$ —	\$ 64	\$ 64
Premiums, reinsurance and other receivables	\$ 7,488	\$ —	\$ 1,329	\$ 7,417	\$ 8,746
Liabilities					
Policyholder account balances	\$ 19,301	\$ —	\$ —	\$ 20,948	\$ 20,948
Long-term debt	\$ 788	\$ —	\$ 1,079	\$ —	\$ 1,079
Other liabilities	\$ 2,140	\$ —	\$ 1,968	\$ 172	\$ 2,140
Separate account liabilities	\$ 1,253	\$ —	\$ 1,253	\$ —	\$ 1,253

	December 31, 2014				
	Carrying Value	Fair Value Hierarchy			Total Estimated Fair Value
		Level 1	Level 2	Level 3	
(In millions)					
Assets					
Mortgage loans	\$ 5,559	\$ —	\$ —	\$ 6,020	\$ 6,020
Policy loans	\$ 1,194	\$ —	\$ 834	\$ 454	\$ 1,288
Real estate joint ventures	\$ 37	\$ —	\$ —	\$ 83	\$ 83
Other limited partnership interests	\$ 63	\$ —	\$ —	\$ 81	\$ 81
Premiums, reinsurance and other receivables	\$ 6,231	\$ —	\$ 51	\$ 7,156	\$ 7,207
Liabilities					
Policyholder account balances	\$ 20,554	\$ —	\$ —	\$ 22,079	\$ 22,079
Long-term debt	\$ 789	\$ —	\$ 1,120	\$ —	\$ 1,120
Other liabilities	\$ 245	\$ —	\$ 76	\$ 169	\$ 245
Separate account liabilities	\$ 1,432	\$ —	\$ 1,432	\$ —	\$ 1,432

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

6. Fair Value (continued)

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of financial instruments are summarized as follows:

Mortgage Loans

The estimated fair value of mortgage loans is primarily determined by estimating expected future cash flows and discounting them using current interest rates for similar mortgage loans with similar credit risk, or is determined from pricing for similar loans.

Policy Loans

Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined using a discounted cash flow model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash flow estimates are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of policy loans and an estimated average maturity determined through experience studies of the past performance of policyholder repayment behavior for similar loans. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk, as these loans are fully collateralized by the cash surrender value of the underlying insurance policy. Policy loans with variable interest rates are classified within Level 2 and the estimated fair value approximates carrying value due to the absence of borrower credit risk and the short time period between interest rate resets, which presents minimal risk of a material change in estimated fair value due to changes in market interest rates.

Real Estate Joint Ventures and Other Limited Partnership Interests

The estimated fair values of these cost method investments are generally based on the Company's share of the NAV as provided in the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments.

Premiums, Reinsurance and Other Receivables

Premiums, reinsurance and other receivables are principally comprised of certain amounts recoverable under reinsurance agreements, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivatives and amounts receivable for securities sold but not yet settled. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are excluded from this caption in the preceding tables as they are separately presented in "— Recurring Fair Value Measurements."

Amounts recoverable under ceded reinsurance agreements, which the Company has determined do not transfer significant risk such that they are accounted for using the deposit method of accounting, have been classified as Level 3. The valuation is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using interest rates determined to reflect the appropriate credit standing of the assuming counterparty.

The amounts on deposit for derivative settlements, classified within Level 2, essentially represent the equivalent of demand deposit balances and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates carrying value.

Policyholder Account Balances

These policyholder account balances include investment contracts. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are excluded from this caption in the preceding tables as they are separately presented in "— Recurring Fair Value Measurements."

The investment contracts primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts. The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.

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

6. Fair Value (continued)

Long-term Debt

The estimated fair value of long-term debt is principally determined using market standard valuation methodologies. Valuations of instruments are based primarily on quoted prices in markets that are not active or using matrix pricing that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duration, observable prices and spreads for similar publicly traded or privately traded issues.

Other Liabilities

Other liabilities consist primarily of interest payable, amounts due for securities purchased but not yet settled and funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are not materially different from the carrying values.

Separate Account Liabilities

Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment contracts.

Separate account liabilities classified as investment contracts primarily represent variable annuities with no significant mortality risk to the Company such that the death benefit is equal to the account balance and certain contracts that provide for benefit funding.

Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described in the section “— Recurring Fair Value Measurements,” the value of those assets approximates the estimated fair value of the related separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described for separate account assets.

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

7. Equity

Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI was as follows:

	Three Months Ended September 30, 2015			Total
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	
	(In millions)			
Balance, beginning of period	\$ 1,510	\$ 188	\$ (26)	\$ 1,672
OCI before reclassifications	388	74	3	465
Deferred income tax benefit (expense)	(126)	(26)	(2)	(154)
AOCI before reclassifications, net of income tax	1,772	236	(25)	1,983
Amounts reclassified from AOCI	26	(3)	—	23
Deferred income tax benefit (expense)	(10)	1	—	(9)
Amounts reclassified from AOCI, net of income tax	16	(2)	—	14
Sale of subsidiary	—	—	—	—
Deferred income tax benefit (expense)	—	—	—	—
Sale of subsidiary, net of income tax	—	—	—	—
Balance, end of period	<u>\$ 1,788</u>	<u>\$ 234</u>	<u>\$ (25)</u>	<u>\$ 1,997</u>

	Three Months Ended September 30, 2014			Total
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	
	(In millions)			
Balance, beginning of period	\$ 1,840	\$ 86	\$ 48	\$ 1,974
OCI before reclassifications	146	53	37	236
Deferred income tax benefit (expense)	(56)	(19)	(19)	(94)
AOCI before reclassifications, net of income tax	1,930	120	66	2,116
Amounts reclassified from AOCI	9	4	—	13
Deferred income tax benefit (expense)	(3)	—	—	(3)
Amounts reclassified from AOCI, net of income tax	6	4	—	10
Sale of subsidiary	—	—	—	—
Deferred income tax benefit (expense)	—	—	—	—
Sale of subsidiary, net of income tax	—	—	—	—
Balance, end of period	<u>\$ 1,936</u>	<u>\$ 124</u>	<u>\$ 66</u>	<u>\$ 2,126</u>

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

7. Equity (continued)

	Nine Months Ended September 30, 2015			
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Total
	(In millions)			
Balance, beginning of period	\$ 2,250	\$ 183	\$ (7)	\$ 2,426
OCI before reclassifications	(738)	83	(27)	(682)
Deferred income tax benefit (expense)	272	(29)	9	252
AOCI before reclassifications, net of income tax	1,784	237	(25)	1,996
Amounts reclassified from AOCI	7	(4)	—	3
Deferred income tax benefit (expense)	(3)	1	—	(2)
Amounts reclassified from AOCI, net of income tax	4	(3)	—	1
Sale of subsidiary	—	—	—	—
Deferred income tax benefit (expense)	—	—	—	—
Sale of subsidiary, net of income tax	—	—	—	—
Balance, end of period	\$ 1,788	\$ 234	\$ (25)	\$ 1,997

	Nine Months Ended September 30, 2014			
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Total
	(In millions)			
Balance, beginning of period	\$ 916	\$ 25	\$ 39	\$ 980
OCI before reclassifications	1,858	150	56	2,064
Deferred income tax benefit (expense)	(571)	(53)	(35)	(659)
AOCI before reclassifications, net of income tax	2,203	122	60	2,385
Amounts reclassified from AOCI	(39)	2	—	(37)
Deferred income tax benefit (expense)	12	—	—	12
Amounts reclassified from AOCI, net of income tax	(27)	2	—	(25)
Sale of subsidiary (2)	(320)	—	6	(314)
Deferred income tax benefit (expense)	80	—	—	80
Sale of subsidiary, net of income tax	(240)	—	6	(234)
Balance, end of period	\$ 1,936	\$ 124	\$ 66	\$ 2,126

(1) See Note 4 for information on offsets to investments related to future policy benefits, DAC, VOBA and DSI.

(2) See Note 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

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

7. Equity (continued)

Information regarding amounts reclassified out of each component of AOCI was as follows:

AOCI Components	Amounts Reclassified from AOCI				Consolidated Statement of Operations and Comprehensive Income (Loss) Locations
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
	(In millions)				
Net unrealized investment gains (losses):					
Net unrealized investment gains (losses)	\$ (25)	\$ (9)	\$ (14)	\$ 16	Net investment gains (losses)
Net unrealized investment gains (losses)	1	—	14	18	Net investment income
Net unrealized investment gains (losses)	(2)	—	(7)	5	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	(26)	(9)	(7)	39	
Income tax (expense) benefit	10	3	3	(12)	
Net unrealized investment gains (losses), net of income tax	\$ (16)	\$ (6)	\$ (4)	\$ 27	
Unrealized gains (losses) on derivatives - cash flow hedges:					
Interest rate swaps	\$ —	\$ —	\$ 1	\$ —	Net derivative gains (losses)
Interest rate swaps	—	—	1	—	Net investment income
Interest rate forwards	1	(1)	2	1	Net derivative gains (losses)
Interest rate forwards	1	—	2	1	Net investment income
Foreign currency swaps	—	(3)	(2)	(4)	Net derivative gains (losses)
Credit forwards	1	—	—	—	Net derivative gains (losses)
Gains (losses) on cash flow hedges, before income tax	3	(4)	4	(2)	
Income tax (expense) benefit	(1)	—	(1)	—	
Gains (losses) on cash flow hedges, net of income tax	\$ 2	\$ (4)	\$ 3	\$ (2)	
Total reclassifications, net of income tax	\$ (14)	\$ (10)	\$ (1)	\$ 25	

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

8. Other Expenses

Information on other expenses was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions)			
Compensation	\$ 112	\$ 75	\$ 348	\$ 219
Commissions	155	144	469	439
Volume-related costs	41	41	100	119
Affiliated interest costs on ceded reinsurance	63	76	221	223
Capitalization of DAC	(95)	(79)	(280)	(243)
Amortization of DAC and VOBA	256	249	508	731
Interest expense on debt	25	22	61	88
Rent and related expenses	12	8	42	24
Other	126	140	318	402
Total other expenses	<u>\$ 695</u>	<u>\$ 676</u>	<u>\$ 1,787</u>	<u>\$ 2,002</u>

Affiliated Expenses

Commissions, capitalization of DAC and amortization of DAC and VOBA include the impact of affiliated reinsurance transactions. See Note 10 for a discussion of affiliated expenses included in the table above.

9. 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 U.S. 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 settlement numerous claims over an extended period of time, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value.

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 difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness 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.

The Company establishes liabilities for litigation and regulatory loss contingencies 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 matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated at September 30, 2015.

Matters as to Which an Estimate Can Be Made

For some loss contingency matters, the Company is able to estimate a reasonably possible range of loss. For such matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. As of September 30, 2015, the aggregate range of reasonably possible losses in excess of amounts accrued for these matters was not material for the Company.

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

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

9. Contingencies, Commitments and Guarantees (continued)

Matters as to Which an Estimate Cannot Be Made

For other matters, the Company is not currently able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by the court on motions or appeals, analysis by experts, and the progress of settlement negotiations. On a quarterly and annual basis, the Company reviews relevant information with respect to litigation contingencies and updates its accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

Unclaimed Property Litigation

On December 28, 2012, the West Virginia Treasurer filed an action (*West Virginia ex rel. John D. Perdue v. MetLife Insurance Company of Connecticut, Circuit Court of Putnam County*), alleging that MetLife Insurance Company of Connecticut violated the West Virginia Uniform Unclaimed Property Act, seeking to compel compliance with the Act, and seeking payment of unclaimed property, interest, and penalties. On November 14, 2012, the Treasurer filed a substantially identical suit against MLI-USA. On June 16, 2015, the West Virginia Supreme Court of Appeals reversed the Circuit Court's order that had granted defendants' motions to dismiss the actions and remanded them to the Circuit Court for further proceedings. The defendants intend to defend these actions vigorously.

Sales Practices Claims

Over the past several years, the Company has faced claims and regulatory inquiries and investigations, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products. The Company continues to defend vigorously against the claims in these matters. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for sales practices matters.

Summary

Various litigation, claims and assessments against the Company, in addition to those discussed previously and those otherwise provided for in the Company's consolidated 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 and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning 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. 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 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 effect on the Company's net income or cash flows in particular quarterly or annual periods.

Commitments

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were \$361 million and \$36 million at September 30, 2015 and December 31, 2014, respectively.

Commitments to Fund Partnership Investments and Private Corporate Bond Investments

The Company commits to fund partnership investments and to lend funds under private corporate bond investments. The amounts of these unfunded commitments were \$1.1 billion and \$918 million at September 30, 2015 and December 31, 2014, respectively.

MetLife Insurance Company USA
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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

9. Contingencies, Commitments and Guarantees (continued)

Other Commitments

The Company has entered into collateral arrangements with affiliates, which require the transfer of collateral in connection with secured demand notes. At September 30, 2015 and December 31, 2014, the Company had agreed to fund up to \$20 million and \$32 million, respectively, of cash upon the request by these affiliates and had transferred collateral consisting of various securities with a fair market value of \$25 million and \$57 million at September 30, 2015 and December 31, 2014, respectively, to custody accounts to secure the demand notes. Each of these affiliates is permitted by contract to sell or repledge this collateral.

10. 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. For certain agreements, charges are based on various performance measures or activity-based costing. The bases for such charges are modified and adjusted by management when necessary or appropriate to reflect fairly and equitably the actual incidence of cost incurred by the Company and/or affiliate. Expenses and fees incurred with affiliates related to these agreements, recorded in other expenses, were \$424 million and \$1.2 billion for the three months and nine months ended September 30, 2015, respectively, and \$356 million and \$1.1 billion for the three months and nine months ended September 30, 2014, respectively. Revenues received from affiliates related to these agreements, recorded in universal life and investment-type product policy fees, were \$62 million and \$188 million for the three months and nine months ended September 30, 2015, respectively, and \$66 million and \$201 million for the three months and nine months ended September 30, 2014, respectively. Revenues received from affiliates related to these agreements, recorded in other revenues, were \$52 million and \$156 million for the three months and nine months ended September 30, 2015, respectively, and \$47 million and \$154 million for the three months and nine months ended September 30, 2014, respectively.

The Company had net receivables from affiliates related to the items discussed above of \$96 million and \$26 million at September 30, 2015 and December 31, 2014, respectively.

See Note 4 for additional information on related party transactions.

Related Party Reinsurance Transactions

The Company has reinsurance agreements with certain MetLife subsidiaries, including MLIC, MetLife Reinsurance Company of South Carolina, First MetLife Investors Insurance Company, General American Life Insurance Company, MetLife Europe Limited, MetLife Reinsurance Company of Vermont, New England Life Insurance Company, MetLife Reinsurance Company of Delaware (“MRD”), Delaware American Life Insurance Company and American Life Insurance Company, all of which are related parties.

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

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

10. Related Party Transactions (continued)

Information regarding the significant effects of affiliated reinsurance included on the consolidated statements of operations and comprehensive income (loss) was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(In millions)				
Premiums				
Reinsurance assumed	\$ 95	\$ 27	\$ 132	\$ 44
Reinsurance ceded	(208)	(182)	(623)	(629)
Net premiums	\$ (113)	\$ (155)	\$ (491)	\$ (585)
Universal life and investment-type product policy fees				
Reinsurance assumed	\$ 40	\$ 112	\$ 104	\$ 276
Reinsurance ceded	(96)	(89)	(282)	(269)
Net universal life and investment-type product policy fees	\$ (56)	\$ 23	\$ (178)	\$ 7
Other revenues				
Reinsurance assumed	\$ —	\$ 8	\$ —	\$ 15
Reinsurance ceded	57	36	179	174
Net other revenues	\$ 57	\$ 44	\$ 179	\$ 189
Policyholder benefits and claims				
Reinsurance assumed	\$ 104	\$ 76	\$ 170	\$ 152
Reinsurance ceded	(259)	(205)	(743)	(719)
Net policyholder benefits and claims	\$ (155)	\$ (129)	\$ (573)	\$ (567)
Interest credited to policyholder account balances				
Reinsurance assumed	\$ 20	\$ 24	\$ 58	\$ 70
Reinsurance ceded	(36)	(35)	(107)	(103)
Net interest credited to policyholder account balances	\$ (16)	\$ (11)	\$ (49)	\$ (33)
Other expenses				
Reinsurance assumed	\$ 18	\$ 38	\$ 42	\$ 69
Reinsurance ceded	27	41	110	108
Net other expenses	\$ 45	\$ 79	\$ 152	\$ 177

MetLife Insurance Company USA
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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

10. Related Party Transactions (continued)

Information regarding the significant effects of affiliated reinsurance included on the consolidated balance sheets was as follows at:

	September 30, 2015		December 31, 2014	
	Assumed	Ceded	Assumed	Ceded
	(In millions)			
Assets				
Premiums, reinsurance and other receivables	\$ 126	\$ 12,498	\$ 45	\$ 12,718
Deferred policy acquisition costs and value of business acquired	133	(763)	164	(707)
Total assets	\$ 259	\$ 11,735	\$ 209	\$ 12,011
Liabilities				
Future policy benefits	\$ 628	\$ (81)	\$ 593	\$ —
Policyholder account balances	955	—	827	—
Other policy-related balances	1,763	764	1,689	763
Other liabilities	19	4,638	16	5,109
Total liabilities	\$ 3,365	\$ 5,321	\$ 3,125	\$ 5,872

The Company assumes risks from affiliates related to guaranteed minimum benefit guarantees written directly by the affiliates. These assumed reinsurance agreements contain embedded derivatives and changes in their estimated fair value are also included within net derivative gains (losses). The embedded derivatives associated with the cessions are included within policyholder account balances and were liabilities of \$955 million and \$827 million at September 30, 2015 and December 31, 2014, respectively. Net derivative gains (losses) associated with the embedded derivatives were (\$188) million and (\$120) million for the three months and nine months ended September 30, 2015, respectively, and (\$280) million and (\$374) million for the three months and nine months ended September 30, 2014, respectively.

The Company ceded several blocks of business to affiliates on a 90% coinsurance with funds withheld basis. Certain contractual features of this agreement qualify as embedded derivatives, which are separately accounted for at estimated fair value on the Company's consolidated balance sheets. The embedded derivative related to the funds withheld associated with this reinsurance agreement is included within other liabilities and increased the funds withheld balance by \$285 million and \$382 million at September 30, 2015 and December 31, 2014, respectively. Net derivative gains (losses) associated with the embedded derivatives were (\$45) million and \$97 million for the three months and nine months ended September 30, 2015, respectively, and (\$24) million and (\$244) million for the three months and nine months ended September 30, 2014, respectively.

Prior to the Mergers, the Company entered into an agreement with MLIC which ceded all existing New York insurance policies and annuity contracts that include a separate account feature. Certain contractual features of this agreement qualify as embedded derivatives, which are separately accounted for at estimated fair value on the Company's consolidated balance sheets. The embedded derivative related to this agreement is included within receivables from affiliates and was \$5 million and \$4 million at September 30, 2015 and December 31, 2014, respectively. Net derivative gains (losses) associated with the embedded derivative was \$1 million for both the three months and nine months ended September 30, 2015 and \$1 million and \$3 million for the three months and nine months ended September 30, 2014, respectively. See Note 1 for further information on the Mergers.

In December 2014, the Company entered into a reinsurance agreement to cede two blocks of business to MRD on a 90% coinsurance with funds withheld basis. This agreement covers certain term and certain universal life policies issued in 2014 by the Company. This agreement transfers risk to MRD and, therefore, is accounted for as reinsurance. As a result of the agreement, affiliated reinsurance recoverables, included in premiums, reinsurance and other receivables, were \$84 million and \$54 million at September 30, 2015 and December 31, 2014, respectively. The Company also recorded a funds withheld liability and other reinsurance payables, included in other liabilities, which were \$19 million and \$118 million at September 30, 2015 and December 31, 2014, respectively. The Company's consolidated statement of operations and comprehensive income (loss) includes a loss for this agreement of \$3 million and \$14 million for the three months and nine months ended September 30, 2015, respectively.

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

Index to Management’s Discussion and Analysis of Financial Condition and Results of Operations

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Forward-Looking Statements and Other Financial Information

For purposes of this discussion, “MetLife USA,” the “Company,” “we,” “our” and “us” refer to MetLife Insurance Company USA (formerly, MetLife Insurance Company of Connecticut (“MICC”)), a Delaware corporation originally incorporated in Connecticut in 1863, and its subsidiaries. MetLife Insurance Company USA is a wholly-owned subsidiary of MetLife, Inc. (MetLife, Inc., together with its subsidiaries and affiliates, “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 MetLife Insurance Company USA’s Annual Report on Form 10-K for the year ended December 31, 2014 (the “2014 Annual Report”), the cautionary language regarding forward-looking statements included below, the “Risk Factors” set forth in Part II, Item 1A, and the additional risk factors referred to therein, and the Company’s interim condensed consolidated financial statements included elsewhere herein.

This narrative analysis may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results. Any or all forward-looking statements may turn out to be wrong. Actual results could differ materially from those expressed or implied in the forward-looking statements. See “Note Regarding Forward-Looking Statements.”

This narrative analysis includes references to our performance measure, operating earnings, that is not based on accounting principles generally accepted in the United States of America (“GAAP”). Operating earnings is the measure of segment profit or loss we use to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is our measure of segment performance. See “— Non-GAAP and Other Financial Disclosures” for definitions of this and other measures.

Business

Overview

The Company offers individual annuities, individual life insurance, and institutional protection and asset accumulation products and is organized into two segments: Retail and Corporate Benefit Funding. In addition, the Company reports certain of its results of operations in Corporate & Other. In the first quarter of 2015, the Company implemented certain segment reporting changes related to the measurement of segment operating earnings, which included revising the Company’s capital allocation methodology. These changes were applied retrospectively and did not have an impact on total consolidated operating earnings or net income.

Management continues to evaluate the Company’s segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability. See Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on the Company’s segments and Corporate & Other.

In November 2014, MetLife Insurance Company of Connecticut, a wholly-owned subsidiary of MetLife, Inc., re-domesticated from Connecticut to Delaware, changed its name to MetLife Insurance Company USA and merged with its subsidiary, MetLife Investors USA Insurance Company (“MLI-USA”), and its affiliate, MetLife Investors Insurance Company, each a U.S. insurance company that issued variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd., a former offshore, reinsurance subsidiary of MetLife, Inc. and affiliate of MICC that mainly reinsured guarantees associated with variable annuity products (the “Mergers”). The surviving entity of the Mergers was MetLife USA. The Mergers represent a transaction among entities under common control and have been accounted for in a manner similar to the pooling-of-interests method, which requires that the merged entities be combined at their historical cost. The Company’s consolidated financial statements and related footnotes are presented as if the transaction occurred at the beginning of the earliest date presented and prior periods’ results have been retrospectively adjusted. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report for further information on the Mergers.

Regulatory Developments

The U.S. insurance industry is regulated primarily at the state level, with some products and services also subject to federal regulation. In addition, we are subject to regulation under the insurance holding company laws of our state of domicile, Delaware. As a subsidiary of MetLife, Inc., a non-bank systemically important financial institution (“non-bank SIFI”), we are affected by MetLife, Inc.’s regulation by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”), the Federal Reserve Bank of New York (together with the Federal Reserve Board, the “Federal Reserve”) and the Federal Deposit Insurance Corporation. We may also be affected by any additional capital requirements to which MetLife, Inc. may become subject as a global systemically important insurer (“G-SII”). Furthermore, some of our operations, products and services are subject to consumer protection laws, securities regulation, environmental and unclaimed property laws and regulations, and to the Employee Retirement Income Security Act of 1974. See “— Insurance Regulation,” “— Regulation of MetLife, Inc. as a Non-Bank SIFI” and “— Designation Process and Policy Measures that May Apply to Global Systemically Important Insurers” below, as well as “Business — Regulation,” “Risk Factors — Regulatory and Legal Risks — Our Insurance Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth,” “Risk Factors — Risks Related to Our Business — Our Statutory Life Insurance Reserve Financings May Be Subject to Cost Increases and New Financings May Be Subject to Limited Market Capacity,” and “Risk Factors — Regulatory and Legal Risks — Changes in U.S. Federal and State Securities Laws and Regulations, and State Insurance Regulations Regarding Suitability of Annuity Product Sales, May Affect Our Operations and Our Profitability” included in the 2014 Annual Report, as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Business — Regulatory Developments” and similarly named sections under the caption “Risk Factors.”

Insurance Regulation

Holding Company Regulation

NAIC

The National Association of Insurance Commissioners (“NAIC”) adopted revisions to the NAIC Insurance Holding Company System Model Act (“Model Holding Company Act”) and the Insurance Holding Company System Model Regulation in December 2010. The revised models include a new requirement that the ultimate controlling person of a U.S. insurer file an annual enterprise risk report with the lead state of the insurer identifying risks likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. To date, several states, including Delaware, have enacted a version of the revised Model Holding Company Act, including the enterprise risk reporting requirement. In December 2014, the NAIC adopted amendments to the Model Holding Company Act that would authorize state insurance commissioners to act as global group-wide supervisors for internationally active insurance groups, as well as other insurers who choose to opt in for the group-wide supervision. The amendments create a selection process for the group-wide supervisor, extend confidentiality protection to communications with the group-wide supervisor, and outline the duties of the group-wide supervisor. To date, several jurisdictions have adopted laws and regulations enhancing group-wide supervision.

Regulation of MetLife, Inc. as a Non-Bank SIFI

On December 18, 2014, the Financial Stability Oversight Council (“FSOC”) designated MetLife, Inc. as a non-bank SIFI subject to regulation by the Federal Reserve and to enhanced supervision and prudential standards. See “Business — Regulation — Regulation of MetLife, Inc. as a Non-Bank SIFI — Enhanced Prudential Standards for Non-Bank SIFIs” included in the 2014 Annual Report, as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Business — Regulatory Developments — Regulation of MetLife, Inc. as a Non-Bank SIFI — Enhanced Prudential Standards for Non-Bank SIFIs.”

On January 13, 2015, MetLife, Inc. filed an action in the U.S. District Court for the District of Columbia asking the court to review and rescind the FSOC’s designation of MetLife, Inc. as a non-bank SIFI. The court scheduled oral argument on the parties’ cross motions for summary judgment for February 10, 2016. Regulation of MetLife, Inc. as a non-bank SIFI could materially and adversely affect our business. For example, although the Federal Reserve Board has not yet determined the enhanced capital requirements that will apply to MetLife, those capital requirements may adversely affect our ability to compete with other insurers that are not subject to those requirements, and our ability to issue guarantees could be constrained. In addition, as a non-bank SIFI, MetLife, Inc. needs to obtain Federal Reserve approval before directly or indirectly acquiring, merging or consolidating with a financial company having more than \$10 billion of assets or acquiring 5% or more of any voting class of securities of a bank or bank holding company and, depending on the extent of the combined company’s liabilities, is subject to additional restrictions regarding its ability to merge. The Federal Reserve also has the right to require us, or our insurance company affiliates, to take prompt action to correct any financial weaknesses.

Designation Process and Policy Measures that May Apply to Global Systemically Important Insurers

The International Association of Insurance Supervisors (“IAIS”), an association of insurance supervisors and regulators and a member of the Financial Stability Board (“FSB”), and an international entity established to coordinate, develop and promote regulatory, supervisory and other financial sector policies in the interest of financial stability, is participating in the FSB’s initiative to identify and manage global systemically important financial institutions and has devised and published a methodology to assess the systemic relevance of global insurers and a framework of policy measures to be applied to G-SIIs. In July 2013, November 2014 and November 2015, the FSB published its lists of G-SIIs, based on the IAIS’ assessment methodology, each of which included MetLife, Inc. The FSB will continue to update the list annually.

For G-SIIs which engage in activities deemed to be systemically risky, the framework of policy measures calls for imposition of additional capital (higher loss absorbency (“HLA”)) requirements on those activities. Given the absence of a common global base on which to calculate an HLA for insurers, the FSB directed the IAIS to develop basic capital requirements (“BCR”). G-SIIs will initially report BCR and HLA results to their group-wide supervisors on a confidential basis to allow for refinement of the BCR and HLA until fully adopted and implemented in 2019. On June 25, 2015, the IAIS published a proposed draft of HLA requirements. A revised draft, reflecting 2015 field test data, was submitted to the FSB for endorsement in September 2015. On September 25, 2015, the FSB endorsed the September draft, noting that further revision would be necessary before implementation in 2019 to reflect ongoing work on the G-SII assessment methodology and the definition of non-traditional and non-insurance activity. This endorsed draft, which was made publicly available on October 5, 2015, confirms that the HLA requirements will be subject to further revision before implementation in 2019.

In addition, on December 17, 2014, the IAIS released a first exposure draft of a risk-based global insurance capital standard (“ICS”) which will apply to all internationally active insurance groups, including G-SIIs. The IAIS expects to publish an interim version of the ICS by the end of 2019 for implementation by individual jurisdictions with the further goal of reaching an ultimate ICS at some later date.

The FSB and IAIS propose that national authorities ensure that any insurers identified as G-SIIs be subject to additional requirements consistent with the framework of policy measures, which include preparation of a systemic risk management plan, preparation of a recovery and resolution plan, enhanced liquidity planning and management, more intensive supervision, closer coordination among regulators through global supervisory colleges led by a regulator with group-wide supervisory authority, and a policy bias in favor of separation of non-traditional insurance and non-insurance activities from traditional insurance activities. The IAIS policy measures would need to be implemented by legislation or regulation in each applicable jurisdiction, and the impact on MetLife, Inc. and other designated G-SIIs is uncertain.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the Interim Condensed Consolidated Financial Statements. The most critical estimates include those used in determining:

- (i) liabilities for future policy benefits and the accounting for reinsurance;
- (ii) capitalization and amortization of deferred policy acquisition costs (“DAC”) and the establishment and amortization of value of business acquired (“VOBA”);
- (iii) estimated fair values of investments in the absence of quoted market values;
- (iv) investment impairments;
- (v) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;
- (vi) measurement of goodwill and related impairment;
- (vii) measurement of income taxes and the valuation of deferred tax assets; and
- (viii) liabilities for litigation and regulatory matters.

In applying our accounting policies, we make 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 our business and operations. Actual results could differ from these estimates.

The above critical accounting estimates are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates” and Note 1 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

Goodwill

Goodwill is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test.

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, the implied fair value of the reporting unit goodwill is compared to the carrying value of that goodwill to measure the amount of impairment loss, if any. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business acquisition.

In the third quarter of 2015, the Company performed its annual goodwill impairment testing on all of its reporting units based upon data as of June 30, 2015. The Company determined that the fair values of its reporting units were in excess of their carrying values and, therefore, goodwill was not impaired.

Economic Capital

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 and the Company’s business.

MetLife’s economic capital model, coupled with considerations of local capital requirements, aligns segment allocated equity with emerging standards and consistent risk principles. The model applies statistics-based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principles include calibrating required economic capital shock factors to a specific confidence level and time horizon while applying an industry standard method for the inclusion of diversification benefits among risk types. Economic capital-based risk estimation is an evolving science and industry best practices have emerged and continue to evolve. Areas of evolving industry best practices include stochastic liability valuation techniques, alternative methodologies for the calculation of diversification benefits, and the quantification of appropriate shock levels. MetLife’s management is responsible for the ongoing production and enhancement of the economic capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards.

Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact the Company’s consolidated net investment income, operating earnings or net income (loss).

Net investment income is based upon the actual results of each segment’s specifically identifiable investment portfolios 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.

Results of Operations**Consolidated Results**

Business Overview. Annuity sales increased 16% due to higher sales of indexed annuities and as a result of new variable annuity products introduced in late 2014 and early 2015. Life sales increased 18%, largely driven by increases in our whole life products (due to a continued focus on our enhanced underwriting programs), term life products (due to pricing actions), universal life products (due to a new product launched late in 2014). A significant portion of our operating earnings is driven by separate account values. These separate account balances primarily affect the level of asset-based fee income but they also impact DAC amortization and asset-based commissions. Separate account balances are driven by sales, movements in the market, surrenders, withdrawals, benefit payments, transfers and policy charges. Separate account balances have declined due to lower market performance along with the impact of negative net flows from our deferred annuities business as benefits, surrenders and withdrawals exceeded sales.

	Nine Months Ended September 30,	
	2015	2014
(In millions)		
Revenues		
Premiums	\$ 922	\$ 876
Universal life and investment-type product policy fees	2,141	2,476
Net investment income	2,008	2,029
Other revenues	371	388
Net investment gains (losses)	13	(556)
Net derivative gains (losses)	(216)	(15)
Total revenues	<u>5,239</u>	<u>5,198</u>
Expenses		
Policyholder benefits and claims	1,758	2,116
Interest credited to policyholder account balances	777	808
Capitalization of DAC	(280)	(243)
Amortization of DAC and VOBA	508	731
Interest expense on debt	61	88
Other expenses	1,498	1,426
Total expenses	<u>4,322</u>	<u>4,926</u>
Income (loss) before provision for income tax	917	272
Provision for income tax expense (benefit)	205	8
Net income (loss)	<u>\$ 712</u>	<u>\$ 264</u>

Nine Months Ended September 30, 2015 Compared with the Nine Months Ended September 30, 2014

During the nine months ended September 30, 2015, income (loss) before provision for income tax increased \$645 million (\$448 million, net of income tax) over the prior period primarily driven by favorable changes in net investment gains (losses) and other adjustments to net income, partially offset by unfavorable changes in net derivative gains (losses) and our actuarial assumption review. The favorable change in other adjustments to net income was primarily the result of the offsets to investment and derivative gains and losses related to the amortization of DAC and VOBA.

Management of Investment Portfolio and Hedging Market Risks with Derivatives. We manage our investment portfolio using disciplined asset/liability management principles, focusing on cash flow and duration to support our current and future liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows of comparable timing and amount, while optimizing risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currency exchange rates, credit spreads and equity market levels. We purchase investments to support our insurance liabilities and not to generate net investment gains and losses. However, net investment gains and losses are incurred and can change significantly from period to period due to changes in external influences, including changes in market factors such as interest rates, foreign currency exchange rates, credit spreads and equity markets; counterparty specific factors such as financial performance, credit rating and collateral valuation; and internal factors such as portfolio rebalancing. Changes in these factors from period to period can significantly impact the levels of both impairments and realized gains and losses on investments sold.

We use freestanding interest rate, equity, credit and currency derivatives to hedge certain invested assets and insurance liabilities. Certain of these hedges are designated and qualify as accounting hedges, which reduce volatility in earnings. For those hedges not designated as accounting hedges, changes in market factors lead to the recognition of fair value changes in net derivative gains (losses) generally without an offsetting gain or loss recognized in earnings for the item being hedged, which creates volatility in earnings.

Certain direct or assumed variable annuity products with guaranteed minimum benefits contain embedded derivatives that are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value recorded in net derivative gains (losses). We use freestanding derivatives to hedge the market risks inherent in these variable annuity guarantees. The valuation of these embedded derivatives includes a nonperformance risk adjustment, which is unhedged, and can be a significant driver of net derivative gains (losses) and volatility in earnings, but does not have an economic impact on us.

Net Investment Gains (Losses). The favorable change in net investment gains (losses) of \$569 million (\$370 million, net of income tax) was primarily the result of the prior period loss on the disposition of MetLife Assurance Limited ("MAL"). For further information on MAL, see Note 4 of the Notes to the Consolidated Financial Statements in the 2014 Annual Report.

Net Derivative Gains (Losses). Direct and assumed variable annuity embedded derivatives and associated freestanding derivative hedges are collectively referred to as “VA program derivatives” in the following table. All other derivatives that are economic hedges of certain invested assets and insurance liabilities are referred to as “non-VA program derivatives” in the following table. The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

	Nine Months Ended September 30,	
	2015	2014
(In millions)		
Non-VA program derivatives		
Interest rate	\$ 209	\$ 150
Foreign currency exchange rate	33	44
Credit	(6)	8
Equity	(78)	(46)
Non-VA embedded derivatives	107	(207)
Total non-VA program derivatives	265	(51)
VA program derivatives		
Embedded derivatives-direct and assumed guarantees:		
Market risks	(583)	(34)
Nonperformance risk adjustment	89	18
Other risks	(468)	(292)
Total	(962)	(308)
Freestanding derivatives hedging direct and assumed embedded derivatives	481	344
Total VA program derivatives	(481)	36
Net derivative gains (losses)	\$ (216)	\$ (15)

The favorable change in net derivative gains (losses) on non-VA program derivatives was \$316 million (\$205 million, net of income tax). A change in the value of the underlying assets and the recapture of a certain reinsurance agreement by an affiliate favorably impacted non-VA embedded derivatives related to affiliated ceded reinsurance written on a coinsurance with funds withheld basis. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The unfavorable change in net derivative gains (losses) on VA program derivatives was \$517 million (\$336 million, net of income tax). This was due to an unfavorable change of \$412 million (\$268 million, net of income tax) in market risks on direct and assumed variable annuity embedded derivatives, net of the impact of freestanding derivatives hedging those risks, and an unfavorable change of \$176 million (\$114 million, net of income tax) on other risks in direct and assumed variable annuity embedded derivatives, partially offset by a favorable change of \$71 million (\$46 million, net of income tax) in the nonperformance risk adjustment on direct and assumed variable annuity embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The foregoing \$412 million (\$268 million, net of income tax) unfavorable change was due to the impact of the recapture of certain variable annuity reinsurance by an affiliate, as well as due to the impact of changes in market factors on the direct and assumed variable annuity embedded derivatives, net of the freestanding derivatives hedging those market factors.

The primary changes in market factors are summarized as follows:

- Key equity index levels decreased more in the current period than in the prior period, contributing to an unfavorable change in our embedded derivatives and a favorable change in our freestanding derivatives. For example, the Russell 2000 Index decreased by 9% in the current period and decreased by 5% in the prior period.
- Key equity volatility measures generally increased in the current period and decreased in the prior period, contributing to an unfavorable change in our embedded derivatives and a favorable change in our freestanding derivatives.
- Long-term interest rates decreased less in the current period than in the prior period, contributing to a favorable change in our embedded derivatives and an unfavorable change in our freestanding derivatives. For example, the 30-year U.S. swap rate decreased by 18 basis points in the current period and decreased by 74 basis points in the prior period.

The foregoing \$176 million (\$114 million, net of income tax) unfavorable change in other risks in direct and assumed variable annuity embedded derivatives, which includes the impact of the recapture of certain variable annuities reinsurance by an affiliate, reflected:

- The cross effect of capital markets changes, which resulted in an unfavorable period over period change in the valuation of the embedded derivatives.
- Refinements in the valuation model, which resulted in an unfavorable period over period change in the valuation of the embedded derivatives.
- The mismatch of fund performance between actual and modeled funds, which resulted in an unfavorable period over period change in the valuation of the embedded derivatives.
- A combination of other factors, including reserve changes influenced by benefit features and policyholder behavior, and foreign currency translation adjustments, which resulted in a favorable period over period change in the valuation of embedded derivatives.

The aforementioned \$71 million (\$46 million, net of income tax) favorable change in the nonperformance risk adjustment, which includes the impact of the aforementioned recapture of certain variable annuities reinsurance by an affiliate, was due to a favorable change of \$53 million, before income tax, related to changes in our own credit spread and a favorable change of \$18 million, before income tax, as a result of changes in capital market inputs, such as long-term interest rates and key equity index levels, on the variable annuity guarantees.

When equity index levels decrease in isolation, the direct and assumed variable annuity guarantees become more valuable to policyholders, which results in an increase in the undiscounted embedded derivative liability. Discounting this unfavorable change by the risk-adjusted rate yields a smaller loss than by discounting at the risk-free rate, thus creating a gain from including an adjustment for nonperformance risk on the direct and assumed variable annuity embedded derivatives.

When the risk-free interest rate decreases in isolation, discounting the embedded derivative liability produces a higher valuation of the liability than if the risk-free interest rate had remained constant. Discounting this unfavorable change by the risk-adjusted rate yields a smaller loss than by discounting at the risk-free interest rate, thus creating a gain from including an adjustment for nonperformance risk on the direct and assumed variable annuity embedded derivatives.

When our own credit spread increases in isolation, discounting the embedded derivative liability produces a lower valuation of the liability than if our own credit spread had remained constant. As a result, a gain is created from including an adjustment for nonperformance risk on the direct and assumed variable annuity embedded derivatives. For each of these primary market drivers, the opposite effect occurs when they move in the opposite direction.

Actuarial Assumption Review. Results for the current period include a \$144 million (\$94 million, net of income tax), net of reinsurance, charge associated with our annual assumption review related to reserves and DAC, of which a \$6 million gain (\$4 million, net of income tax) was recognized in net derivative gains (losses). Of the \$144 million charge, \$175 million (\$114 million, net of income tax) was related to reserves with a positive offset of \$31 million (\$20 million, net of income tax) associated with DAC.

The foregoing \$6 million gain (\$8 million direct and assumed, \$2 million ceded) recognized in net derivative gains (losses) associated with our annual assumption review was included within the market and other risks caption in the table above.

As a result of our annual assumption review, changes were made to economic, policyholder behavior and mortality assumptions, and operational updates were made as well. The most significant impacts were in the Retail Life and Annuity blocks of business and are summarized as follows:

- Changes in economic assumptions resulted in reserve increases, net of reinsurance, and unfavorable DAC for a net loss of \$103 million (\$67 million, net of income tax).
- Changes to policyholder behavior and mortality assumptions resulted in reserve increases, net of reinsurance, partially offset by favorable DAC for a net loss of \$58 million (\$38 million, net of income tax).
- The remaining updates resulted in reserve increases, net of reinsurance, which were more than offset by favorable DAC for a net gain of \$17 million (\$11 million, net of income tax).

Results for the prior period include a \$159 million (\$103 million, net of income tax) benefit, net of reinsurance, associated with our annual assumption review related to reserves and DAC, of which \$229 million (\$149 million, net of income tax) was recognized in net derivative gains (losses). Of the \$159 million benefit, \$200 million (\$130 million, net of income tax) was related to reserves, offset by a \$41 million (\$27 million, net of income tax) charge associated with DAC.

Divested Business. Income (loss) before provision for income tax, related to divested business, excluding net investment gains (losses) and net derivative gains (losses), decreased \$13 million from the prior period. This reflects a decrease in total revenues of \$65 million, before income tax, and a decrease in total expenses of \$52 million, before income tax. There was no divested business recorded in the current period.

Taxes. Income tax expense for the nine months ended September 30, 2015 was \$205 million, or 22% of income (loss) before provision for income tax, compared with \$8 million, or 3% of income (loss) before provision for income tax, for the nine months ended September 30, 2014. The Company's current period effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income. The Company's prior period effective tax rate was different from the U.S. statutory rate of 35% primarily due to non-taxable investment income and the tax effects of the MAL divestiture.

Operating Earnings. As more fully described in "— Non-GAAP and Other Financial Disclosures," we use operating earnings, which does not equate to net income (loss), as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating earnings, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings should not be viewed as a substitute for net income (loss). Operating earnings decreased \$41 million, net of income tax, to \$885 million for the nine months ended September 30, 2015 from \$926 million for the nine months ended September 30, 2014.

Reconciliation of net income (loss) to operating earnings

	Nine Months Ended September 30,	
	2015	2014
	(In millions)	
Net income (loss)	\$ 712	\$ 264
Less: Net investment gains (losses)	13	(556)
Less: Net derivative gains (losses)	(216)	(15)
Less: Other adjustments to net income (1)	(65)	(408)
Less: Provision for income tax (expense) benefit	95	317
Operating earnings	<u>\$ 885</u>	<u>\$ 926</u>

(1) See definitions of operating revenues and operating expenses under “— Non-GAAP and Other Financial Disclosures” for the components of such adjustments.

Reconciliation of GAAP revenues to operating revenues and GAAP expenses to operating expenses

	Nine Months Ended September 30,	
	2015	2014
	(In millions)	
Total revenues	\$ 5,239	\$ 5,198
Less: Net investment gains (losses)	13	(556)
Less: Net derivative gains (losses)	(216)	(15)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	—	14
Less: Other adjustments to revenues (1)	34	202
Total operating revenues	<u>\$ 5,408</u>	<u>\$ 5,553</u>
Total expenses	\$ 4,322	\$ 4,926
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(62)	172
Less: Other adjustments to expenses (1)	161	452
Total operating expenses	<u>\$ 4,223</u>	<u>\$ 4,302</u>

(1) See definitions of operating revenues and operating expenses under “— Non-GAAP and Other Financial Disclosures” for the components of such adjustments.

Consolidated Results — Operating

	Nine Months Ended September 30,	
	2015	2014
(In millions)		
Operating revenues		
Premiums	\$ 922	\$ 874
Universal life and investment-type product policy fees	1,942	2,233
Net investment income	2,173	2,060
Other revenues	371	386
Total operating revenues	<u>5,408</u>	<u>5,553</u>
Operating expenses		
Policyholder benefits and claims	1,680	1,738
Interest credited to policyholder account balances	774	806
Capitalization of DAC	(280)	(243)
Amortization of DAC and VOBA	500	532
Interest expense on debt	51	55
Other expenses	1,498	1,414
Total operating expenses	<u>4,223</u>	<u>4,302</u>
Provision for income tax expense (benefit)	300	325
Operating earnings	<u>\$ 885</u>	<u>\$ 926</u>

Nine Months Ended September 30, 2015 Compared with the Nine Months Ended September 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Overview. The primary drivers of the decrease in operating earnings were lower fee income partially offset by higher net investment income.

Business Growth. In our deferred annuity business, the impact of negative net flows contributed to a decrease in asset-based fee income and reduced interest credited expense in the general account. Asset-based fee income related to the assumed variable annuity reinsurance agreements recaptured in connection with the Mergers also declined. Direct business expenses were higher; however, this was more than offset by lower costs associated with our variable annuity guaranteed minimum death benefits (“GMDBs”). The decline in invested assets was primarily due to a decrease in funding agreement issuances in our Corporate Benefit Funding segment and the aforementioned negative net flows in our deferred annuity business, partially offset by positive net flows in our life businesses. This decline was partially offset by the related decrease in interest credited expense in our deferred annuity business and our Corporate Benefit Funding segment. The changes in business growth discussed above resulted in a \$121 million decrease in operating earnings.

Market Factors. Investment returns improved as a result of higher income on interest rate derivatives and real estate joint ventures, as well as increased prepayment fees. This was partially offset by lower yields on our fixed maturity securities and mortgage loans as a result of the sustained low interest rate environment, and lower returns on our other limited partnership interests. In our deferred annuity business, while the current period equity returns were lower than in the prior period, the overall cumulative positive equity markets since the prior period drove an increase in asset-based fee income and lower costs associated with our variable annuity GMDBs. Operating earnings decreased due to higher interest credited expense in our Corporate Benefit Funding segment as a result of higher average interest credited rates, partially offset by lower interest credited expense in our Retail segment as a result of reduced average interest credited rates. The changes in market factors, including equity markets and interest rates, discussed above resulted in a \$59 million increase in operating earnings.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Favorable claims experience in our traditional life and immediate annuities businesses, partially offset by unfavorable claims experience in our variable and universal life and structured settlement businesses, increased operating earnings by \$20 million. On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates, which occurred in both periods, resulted in a net operating earnings decrease of \$22 million and were primarily related to unfavorable DAC unlockings in the life businesses. Refinements to DAC and certain insurance-related liabilities that were recorded in both periods, resulted in a \$10 million decrease in operating earnings.

Amortization of DAC. DAC amortization decreased due to lower yields and the decrease in our deferred annuity in-force business resulting from negative net flows. These decreases were partially offset by less favorable separate account returns in the current period as compared to the prior period, resulting in a \$47 million increase in operating earnings.

Expenses. Other expenses increased \$15 million as a result of an increase in costs associated with corporate initiatives.

Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Future Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Non-GAAP and Other Financial Disclosures

Operating earnings is defined as operating revenues less operating expenses, both net of income tax.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by the Company and are referred to as divested businesses. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.

The following additional adjustments are made to GAAP revenues, in the line items indicated, in calculating operating revenues:

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits (“GMIBs”) fees (“GMIB Fees”); and
- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, and (iv) excludes certain amounts related to securitization entities that are variable interest entities (“VIEs”) consolidated under GAAP.

The following additional adjustments are made to GAAP expenses, in the line items indicated, in calculating operating expenses:

- Policyholder benefits and claims excludes: (i) amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, (ii) benefits and hedging costs related to GMIBs (“GMIB Costs”), and (iii) market value adjustments associated with surrenders or terminations of contracts (“Market Value Adjustments”);
- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment;
- Amortization of DAC and VOBA excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustments;
- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other expenses excludes costs related to: (i) implementation of new insurance regulatory requirements, and (ii) acquisition and integration costs.

We believe the presentation of operating earnings, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. Operating revenues, operating expenses and operating earnings should not be viewed as substitutes for the following financial measures calculated in accordance with GAAP: GAAP revenues, GAAP expenses, and net income (loss), respectively. Reconciliations of these measures to the most directly comparable GAAP measures are included in “— Results of Operations.”

In this discussion, we sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity. The following additional information is relevant to an understanding of our financial results:

- Allocated equity is defined as the portion of common stockholders’ equity that management allocates to each of its segments and sub-segments based on MetLife’s economic capital model, coupled with considerations of local capital requirements. See “— Economic Capital.”

Item 4. Controls and Procedures

Management, with the participation of the Chief Executive Officer 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 15d-15(e) under the Securities Exchange Act of 1934, (“Exchange Act”), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

There were no changes to the Company’s internal control over financial reporting as defined in Exchange Act Rule 15d-15(f) during the quarter ended September 30, 2015 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 2014 Annual Report; (ii) Part II, Item 1, of MetLife Insurance Company USA's Quarterly Report on Form 10-Q for the quarters ended March 31, 2015 and June 30, 2015; and (iii) Note 9 of the Notes to the Interim Condensed Consolidated Financial Statements in Part I of this report.

Various litigation, claims and assessments against the Company, in addition to those discussed previously and those otherwise provided for in the Company's consolidated 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 and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning 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. 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 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 effect on the Company's net income or cash flows in particular quarterly or annual periods.

Item 1A. Risk Factors

Certain factors that may affect the Company's business or operations are described under "Risk Factors" in Part I, Item 1A, of the 2014 Annual Report, as amended or supplemented by the information under "Risk Factors" in Part II, Item 1A, of MetLife Insurance Company USA's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. There have been no other material changes to our risk factors from the risk factors previously disclosed in the 2014 Annual Report, as amended or supplemented by such information in MetLife Insurance Company USA's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.

Item 6. Exhibits

(Note Regarding Reliance on Statements in Our Contracts: In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MetLife Insurance Company USA and its subsidiaries, or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about MetLife Insurance Company USA and its subsidiaries may be found elsewhere in this Quarterly Report on Form 10-Q and MetLife Insurance Company USA's other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)

Exhibit No.	Description
31.1	Certification of Chief Executive Officer 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 Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

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 USA

By: /s/ Peter M. Carlson

Name: Peter M. Carlson

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

Date: November 12, 2015

Exhibit Index

(Note Regarding Reliance on Statements in Our Contracts: In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MetLife Insurance Company USA and its subsidiaries, or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about MetLife Insurance Company USA and its subsidiaries may be found elsewhere in this Quarterly Report on Form 10-Q and MetLife Insurance Company USA's other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)

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101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

CERTIFICATIONS

I, Eric T. Steigerwalt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MetLife Insurance Company USA;

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: November 12, 2015

/s/ Eric T. Steigerwalt

Eric T. Steigerwalt
Chairman of the Board, President and
Chief Executive Officer

CERTIFICATIONS

I, Anant Bhalla, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MetLife Insurance Company USA;

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: November 12, 2015

/s/ Anant Bhalla

Anant Bhalla
Senior 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, Eric T. Steigerwalt, certify that (i) MetLife Insurance Company USA's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (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 USA.

Date: November 12, 2015

/s/ Eric T. Steigerwalt

Eric T. Steigerwalt
Chairman of the Board, President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to MetLife Insurance Company USA and will be retained by MetLife Insurance Company USA 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, Anant Bhalla, certify that (i) MetLife Insurance Company USA's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (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 USA.

Date: November 12, 2015

/s/ Anant Bhalla

Anant Bhalla
Senior Vice President and
Chief Financial Officer

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