

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

)	
IN THE MATTER OF:)	
)	
METLIFE, INC.,)	
)	
RESPONDENT.)	Docket No. E-2017-0119
)	

CONSENT ORDER

I. PRELIMINARY STATEMENT

This Consent Order ("the Order") is entered into by the Massachusetts Securities Division (the "Division") and MetLife, Inc. ("Respondent") with respect to the administrative complaint (the "Complaint") filed by the Enforcement Section of the Division (the "Enforcement Section") against Respondent on June 25, 2018 that alleged violations of Section 101(2) of the Massachusetts Uniform Securities Act, MASS. GEN. LAWS ch. 110A (the "Act"), and the corresponding regulations promulgated thereunder at 950 MASS. CODE REGS. 10.00 – 14 413 (the "Regulations").

On December 17, 2018 Respondent submitted a signed Offer of Settlement (the "Offer") to the Division. Respondent neither admits nor denies the Jurisdiction set forth in Section II below, Relevant Time Period set forth in Section III below, Statement of Facts set forth in Section VI, and Violations of Law set forth in Section VII below, and consents to the entry of this Order by the Division, consistent with the language and terms of the Offer, settling the claims brought in the Complaint with prejudice.

II. JURISDICTION AND AUTHORITY

1. As provided for by the Act, the Division has jurisdiction over matters relating to securities pursuant to chapter 110A of Massachusetts General Laws.
2. The Enforcement Section brought its action pursuant to the authority conferred upon the Division by Section 407A and 414 of the Act, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the Act and the Regulations.
3. The proceeding was brought and this Order is entered in accordance with Sections 101 and 407A of the Act.

III. RELEVANT TIME PERIOD

4. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of January 1, 1992 to the present (the “Relevant Time Period”).

IV. RESPONDENT

5. MetLife, Inc. is a Delaware corporation with corporate headquarters located at 200 Park Avenue, New York, New York 10166. According to the Delaware Division of Corporations, MetLife, Inc. incorporated on August 10, 1999. MetLife, Inc. is a public holding company. MetLife, Inc.’s common stock trades on the New York Stock Exchange under the ticker symbol “MET.” MetLife, Inc.’s subsidiaries and affiliates include Metropolitan Life Insurance Company. MetLife, Inc. is the holding corporation for the Metropolitan Life Insurance Company and its affiliates.

V. RELATED PARTY

6. Metropolitan Life Insurance Company (“MLIC”) is a wholly-owned subsidiary of MetLife, Inc. with principal offices located at 200 Park Avenue, New York, New York,

10166. MLIC provides insurance, annuities, and employee benefits.

VI. STATEMENT OF FACTS

A. MLIC Assumed Responsibility for Paying Annuitants

7. MLIC's Retirement and Income Solutions ("RIS") business offers, among other things, pension risk transfer products and services.

8. MLIC offers Pension Risk Transfer products under which MLIC issues a group annuity contract ("GAC") to make payments in lieu of all or a portion of the benefits due to a participant under a pension plan ("Pension Risk Transfer"). GACs generally are negotiated between the plan sponsor and MLIC.

9. Plan sponsors use plan assets to finance the purchase of GACs from MLIC. As a result of these transactions, participants of these pension plans become annuitants under the GAC. The Pension Risk Transfers sometimes result in employers closing out their pension liabilities and plan beneficiaries becoming entitled to annuity benefits as they reach retirement age.

10. MLIC assumes the payment obligations pursuant to the terms of the relevant GAC. In some cases, the pension plan is funded by contributions from both the employer and its employees. In general, companies provide MLIC with information related to their defined benefit pension plans, which MLIC uses to structure and administer the GACs and effect payments thereunder.

11. MLIC maintains reserve liabilities in order to meet future benefit payments under its policies and GACs in accordance with applicable law and accounting standards.

12. GACs are contracts negotiated between the former defined benefit pension plan provider and MLIC. MLIC procedures provide that notification be made to annuitants at

the time MLIC takes over the payment obligations from the plan provider. Some Massachusetts Annuitants were not aware or did not recall that MLIC had taken over payment obligations from the plan provider.

13. Before or during the Relevant Time Period, approximately 100 employers with Massachusetts pensioners contracted with MLIC for its Pension Risk Transfer services.

B. MLIC Failed to Find and Pay Certain Annuitants

14. During the Relevant Time Period, MLIC did not maintain regular contact with annuitants who were not in pay between the time that MLIC assumed responsibility for their future annuity benefits, and the time that annuitants neared their normal retirement date.

15. MLIC historically sent out two form letters to an annuitant's last known address: one letter as the annuitant approached his or her normal retirement date, and a second letter as the annuitant approached age 70 ½.

16. In many cases, MLIC sent its letters to the addresses received from the annuitants' defined benefit pension plan sponsor at the time of the relevant Pension Risk Transfer transactions. Prior to the 2000s, MLIC did not verify whether the employer provided correct addresses of annuitants.

17. Beginning as early as 2005, MLIC would run annuitants approaching normal retirement date through a third party address-checking system and use the address generated by that search for mailings.

18. In the absence of a response to the first letter, MLIC assumed the annuitant had deferred benefits beyond the normal retirement date. MLIC did not require any

affirmative notice from annuitants that they had elected to defer collection of their benefits past the normal retirement date.

19. In general, if MLIC did not hear from an annuitant after sending the first letter, MLIC did not contact the annuitant or verify their assumed election for approximately five years.

20. As the annuitants approached age 70 ½, MLIC sent a second letter, informing the annuitants that they could face tax consequences if they failed to begin collecting their annuity payments. In the absence of a response to this second letter, MLIC presumed that these annuitants would never respond (the “Relevant Population”).

21. Other than sending two form letters, MLIC did not attempt to reach the annuitant by other means, such as certified mail or telephone calls.

C. MLIC Released Reserves Held in Connection with GACs

22. MLIC released reserves with respect to GAC benefits when it assumed that the annuitants would never respond.

23. After two unsuccessful attempts to contact its annuitants, MLIC released the full liability based on the presumption that these annuitants would never respond and had not become entitled to benefits based on certain contractual provisions.

24. MLIC later concluded that such practices were not sufficient to allow for reserves to be released.

25. In total, MLIC released liability reserves associated with group annuity obligations owed to thousands of annuitants.

26. The reserves MLIC is required to maintain to support its future payments owed under its GACs constitute liabilities of the company. By releasing such reserves, MLIC decreased its stated liabilities in publicly filed financial statements.

D. Respondent's Statements to Investors

27. In MetLife, Inc.'s Form 10-K Annual Report for the fiscal year ending on December 31, 2016 ("2016 10-K"), filed on March 1, 2017, MetLife, Inc. stated that:

[MetLife, Inc.'s] insurance subsidiaries [] establish statutory reserves, reported as liabilities, to meet their obligations on their respective policies. These statutory reserves are established in amounts sufficient to meet policy and contract obligations [.]

28. MetLife, Inc.'s Form 10-K Annual Reports have included substantively identical language related to sufficient reserves since at least 2001.

29. The stated reserves in MetLife, Inc.'s 2016 10-K did not reflect the true outstanding obligations owed to pensioners pursuant to MLIC's GACs.

30. MetLife, Inc. stated in a section of its Form 10-K for 2016 titled "Management's Annual Report on Internal Control Over Financial Reporting" that, "in the opinion of management, MetLife, Inc. maintained effective internal control over financial reporting at December 31, 2016."

31. MetLife, Inc. later determined that the prior release of group annuity reserves resulted from a "material weakness in internal control over financial reporting."

32. MetLife, Inc. has made identical statements in the section of its Form 10-K filings titled "Management's Annual Report on Internal Control over Financial Reporting" since at least 2013.

33. Massachusetts investors purchased and sold MetLife, Inc. securities during the Relevant Time Period.

34. Investors, including those in Massachusetts, reasonably relied on MetLife, Inc.'s public filings when making their investment decisions.
35. On December 15, 2017, MetLife, Inc. announced that the business was undertaking a review of practices and procedures used to estimate reserves related to certain RIS annuitants who have been unresponsive or missing over time.
36. On December 15, 2017, MetLife, Inc. filed a Form 8-K, in which MetLife, Inc. disclosed that the business was improving its process to locate these annuitants.
37. On January 29, 2018, MetLife, Inc. announced that it was postponing its earnings report and conference call related to its results for the fourth quarter and full year ending on December 31, 2017.
38. At the time of the announcement, MetLife, Inc. stated that it intended to make prior period revisions to reflect the balance of the adjustments to its reserves in the appropriate historical periods.
39. In connection with its review, MetLife, Inc. identified material weaknesses in its internal control over financial reporting related to certain RIS group annuity reserves.
40. The review led MLIC to increase its reserve liabilities by approximately \$510 million to meet its liabilities pursuant to the relevant GACs and to provide interest payments to certain annuitants.
41. Over the next two trading days, shares of MetLife, Inc. common stock fell \$6.28, over 11.6%, to close at \$47.67.
42. In its February 13, 2018 Form 8-K, MetLife, Inc. acknowledged that it "has not maintained effective internal control over financial reporting at December 31, 2017."

43. In its Form 10-K Annual Report for 2017, filed on March 1, 2018, MetLife, Inc. stated:

We have identified material weaknesses in MetLife, Inc.'s internal control over financial reporting related to the administrative and accounting practices of certain Retirement and Income Solutions ("RIS") group annuity reserves, the untimely communication and escalation of issues regarding those reserves throughout the Company Based on the material weaknesses, our management has determined that MetLife, Inc. has not maintained effective internal control over financial reporting as of December 31, 2017 [.]

44. The administrative practices of MLIC caused non-payment and late payment of GAC benefits to annuitants.

VII. VIOLATIONS OF LAW

Count I – Violation of MASS. GEN. LAWS ch. 110A, § 101(2)

45. Section 101 of the Act provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly []

(2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading [.]

MASS. GEN. LAWS ch. 110A, § 101(2).

46. The conduct of Respondent, as described above in Section VI, constitutes violations of MASS. GEN. LAWS ch. 110A, § 101(2).

VIII. ORDER

IT IS HEREBY ORDERED:

- A. Respondent shall permanently cease and desist from violations of Section 101 of the Act in the Commonwealth;
- B. Respondent is hereby censured;

C. Within fifteen (15) business days of the entry of this Order, MLIC shall provide a certification of the Relevant Population in Massachusetts (“Massachusetts Annuitant Population”) that MLIC has paid as of the date of the Order, including the identity of each annuitant, any retroactive amount paid, any interest on the retroactive amount paid, and amount of any monthly benefit amount;

D. Within fifteen (15) business days of the entry of this Order, MLIC shall identify the Massachusetts Annuitant Population that MLIC has confirmed are deceased as of the date of the Order, including the identity of the deceased, the steps taken to confirm that the individual is deceased, the steps taken to locate beneficiaries, the identity of the beneficiaries, any retroactive amounts paid to beneficiaries, any interest on the retroactive amounts paid to beneficiaries, and amount of any monthly benefit amount;

E. MLIC shall make best efforts to commence payment within fifteen (15) business days to an annuitant in the Massachusetts Annuitant Population when MLIC receives a retirement package in good order;

F. MLIC shall make best efforts to commence a thorough search for an annuitant’s beneficiaries within thirty (30) days after MLIC receives a notification of death from a spouse or other interested party in the Massachusetts Annuitant Population;

G. MLIC shall make additional outreach efforts to assist individuals within the Massachusetts Annuitant Population who have not completed and returned the retirement package. MLIC shall make best efforts to initiate contact with the annuitant within no less than forty-five (45) days and no more than ninety (90) days from the last contact with the annuitant. MLIC shall make up to three (3) outbound telephone calls (if a telephone number is available) and, if there is no response, send a certified letter to the last known

address. If contact information is available for a spouse of designated beneficiary, MLIC shall attempt to contact the spouse and/or designated beneficiary;

H. If a retirement package is returned but is not in good order (“NIGO”), MLIC shall make best efforts to initiate its normal NIGO resolution efforts within fifteen (15) business days, which include sending up to three (3) letters, to resolve any deficiencies in the paperwork. If the normal NIGO resolution efforts are unsuccessful and at least forty-five (45) days have passed since our last contact with the annuitant, MLIC shall make up to three (3) outbound telephone calls (if a telephone number is available) and, if there is no response, send a certified letter. If contact information is available for a spouse or designated beneficiary, MLIC will attempt to contact the spouse and/or designated beneficiary;

I. MLIC has and will continue to take reasonable steps to locate the Massachusetts Annuitant Population eligible for benefits pursuant to MLIC group annuity contracts, process all past due amounts plus any interest owed, and effect all continuing payments. The following shall constitute reasonable steps:

1. Up to three (3) letters will be mailed to the most current address on file. The first mailing will be a certified letter. The second and third letters will be sent by first class mail if MLIC does not receive a response to the first letter. If any of the letters are returned as undeliverable, a manual search for a more current address will be conducted. If an alternate address is found, a new certified letter will be mailed to the updated address and the letter count is reset. If no alternate address is found, the second and third letters will be mailed to the original address. The manual search will be

through Accurint or one of MLIC's data vendors to obtain a better address;

2. If still not located, MLIC will make best efforts to make up to three (3) outbound telephone calls on different days of the week and at different times of the day where a telephone number is available;
3. If still not located and MLIC has client contact information, MLIC will make reasonable efforts to attempt to reach the plan sponsor or company contact to request participant information;
4. If still not located and contact information is available for a spouse or designated beneficiary, MLIC will attempt to contact the spouse and/or designated beneficiary; and
5. MLIC shall provide a certification within one-hundred twenty (120) days of this Order of the remaining Massachusetts Annuitant Population deemed unresponsive, including the identity of the annuitant and all steps taken to contact the annuitant.

J. For any annuitant from the Massachusetts Annuitant Population who declines a benefit due from MLIC, MLIC shall capture the benefit refusal on a recorded telephone line. MLIC will then send a certified letter to the participant requesting that it be signed and returned confirming the refusal of a benefit. The certified letter will ask if the participant was married on the participant's annuity commencement date and, if so, whether the spouse also refuses his or her contingent benefit. If the certified letter is not returned or is returned blank, MLIC will rely on the recorded telephone call and also utilize any spouse information contained on the system of record. A recording of the

customer call and the returned certified letter (if any) will be retained by MLIC as supporting documentation of the participant's decision to refuse their benefit;

K. Within one-hundred eighty (180) days of this Order, MLIC shall provide a certification identifying any annuitants from the Massachusetts Annuitant Population who have declined a benefit due from MLIC;

L. MLIC shall provide the Enforcement Section with any related additional information or documentation reasonably requested by the Enforcement Section for three-hundred sixty-five (365) days after this Order, such as documentation submitted by annuitants and documentation supporting MLIC's decision regarding the resolution process;

M. MLIC shall, by March 31, 2019, provide to the Enforcement Section a copy of the formalized written policies and procedures designed to establish and maintain contact with annuitants whose benefits have not commenced. These policies and procedures may be updated on a going forward basis as necessary. Failure to comply with or modify the policies and procedures referenced in this paragraph only shall not constitute a failure to comply with terms of this Order;

N. Within ten (10) business days of the entry of this Order, Respondent shall pay an administrative fine in the amount of \$1,000,000.00 (USD) to the Commonwealth of Massachusetts. Payment shall be: (1) made by United States postal money order, certified check, bank cashier's check, bank money order, or wire transfer; (2) made payable to the Commonwealth of Massachusetts; and (3) either hand-delivered or mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108, or wired per Division instructions; and (4) submitted under cover letter or other documentation that identifies

the payor and the docket number of the proceedings. Additionally, Respondent shall provide the Enforcement Section with notice twenty-four (24) hours prior to the payment;

O. For good cause shown, the Enforcement Section may agree to extend any of the procedural deadlines set forth above. Any agreement to extend any of the procedural deadlines set forth above shall be made in writing;

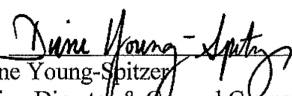
P. Respondent shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any amounts that Respondent shall pay pursuant to this Order;

Q. Respondent shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any insurance policy with regard to any amount that Respondent shall pay pursuant to this Order; and

R. Upon issuance of this Order, if Respondent fails to materially comply with the terms set forth in the Order, the Enforcement Section may institute an action to have this agreement declared null and void. Upon issuance of an appropriate order and after a fair hearing, the Enforcement Section may re-institute an action against Respondent.

WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH

Date: December 18, 2018

By: 
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