
Derivatives lift MetLife in Q4 2011

By Editor Test *Wed, Feb 15, 2012*

MetLife reported derivative net gains of \$351 million, after tax, which were largely due to declines in interest rates and gains in the company's variable annuity hedging program.

MetLife's fourth-quarter 2011 profit surged on earnings from derivatives. Net income for the quarter was \$1.16 billion, up from just \$82 million a year earlier.

In an earnings statement released Tuesday, MetLife reported derivative net gains of \$351 million, after tax, which were largely due to declines in interest rates and gains in the company's variable annuity hedging program. In the fourth quarter of 2010, MetLife reported \$1.1 billion, after tax, in derivative net losses.

"Operating earnings for Retirement Products, which includes the company's U.S. annuity products, were \$216 million, down 5% due to the negative impact of deferred acquisition costs (DAC) and other adjustments as well as lower variable investment income, offset by growth from strong positive net flows and higher core spreads.

Compared with the fourth quarter of 2010 and the third quarter of 2011, total annuity sales increased 41% and declined 15%, respectively, primarily due to a change in the level of variable annuity sales. Premiums, fees & other revenues for Retirement Products were \$1 billion, up 35% due to increased sales of immediate annuities and higher fee income.

MetLife, which had more than \$270 billion of derivative contracts at the end of September, guards against interest rate declines because the company depends on bond coupons to help finance customer obligations and earn profits. MetLife held more than \$350 billion of fixed-maturity securities as of Sept. 30, Bloomberg News reported.

Net income advanced to \$1.16 billion from \$82 million a year earlier, the company said Tuesday. Excluding some investment results, profit was \$1.31 a share, beating the \$1.24 average estimate of 19 analysts surveyed by Bloomberg.

MetLife is leaving banking to reduce federal oversight and scaling back variable-annuity sales to ease liabilities on the equity-based products. MetLife agreed in December to sell about \$7.5 billion of bank deposits to the General Electric Company after the insurer's plan for a dividend increase was rejected by the Federal Reserve. MetLife is shutting a mortgage origination business and eliminating most of that unit's 4,300 jobs.

MetLife expanded in Asia, Europe and South America with the \$16 billion acquisition of the American Life Insurance Company in November 2010. The company's derivatives, used to generate income and guard against interest-rate declines, produce losses when bond yields rise, as they did in the last quarter of 2010.

MetLife is integrating Alico and spending on advertising. The company put the name MetLife Stadium on

the home of the National Football League's New York Jets and Giants last year. The company's blimps, with depictions of the cartoon dog Snoopy, fly over sporting events in the United States and Japan.

The company posted its results after the close of trading.

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