



2025 LIFE INSURANCE AND ANNUITY CONFERENCE

Reimagine Tomorrow

**Speaking the Language of Business:
A Financial Mastery Session for
Insurance Professionals**





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President

Martel + Associates



“If you speak the language of money, you will be more successful. Finance is the way businesses keep score.”

Richard Ruback, Willard Prescott Smith Professor of Corporate Finance,
Harvard Business School



3 Basic Rules of Finance

Rule #1: Know your costs!

Direct cost
of cupcake:
\$4.00 per
cupcake

Ingredients: \$1.50
per cupcake

Wages for baker,
decorator etc. :
\$2.00 per cupcake

All other direct costs
to make a cup cake :
\$.50 per cupcake

Marketing
and Sales
expenses

General and
Administrative

R&D

Rule #2: Price appropriately



Rule #3: Harvest the \$\$\$\$



How is the insurance industry different?

General
and Admin
expenses

A contract is written
and cash is received

Marketing
and Sales
expenses

Payouts specified in
the contract may be
years in the future

The role of
investments

Assumptions made to
price a product may
not come true!

Regulatory
impacts

How is the insurance industry different?

Nature of business- pricing, costs, reserves

Importance of the investment portfolio- risk versus return

Statutory requirements versus GAAP

Target customers changing needs

How do life insurance companies make money?



Three pricing factors...

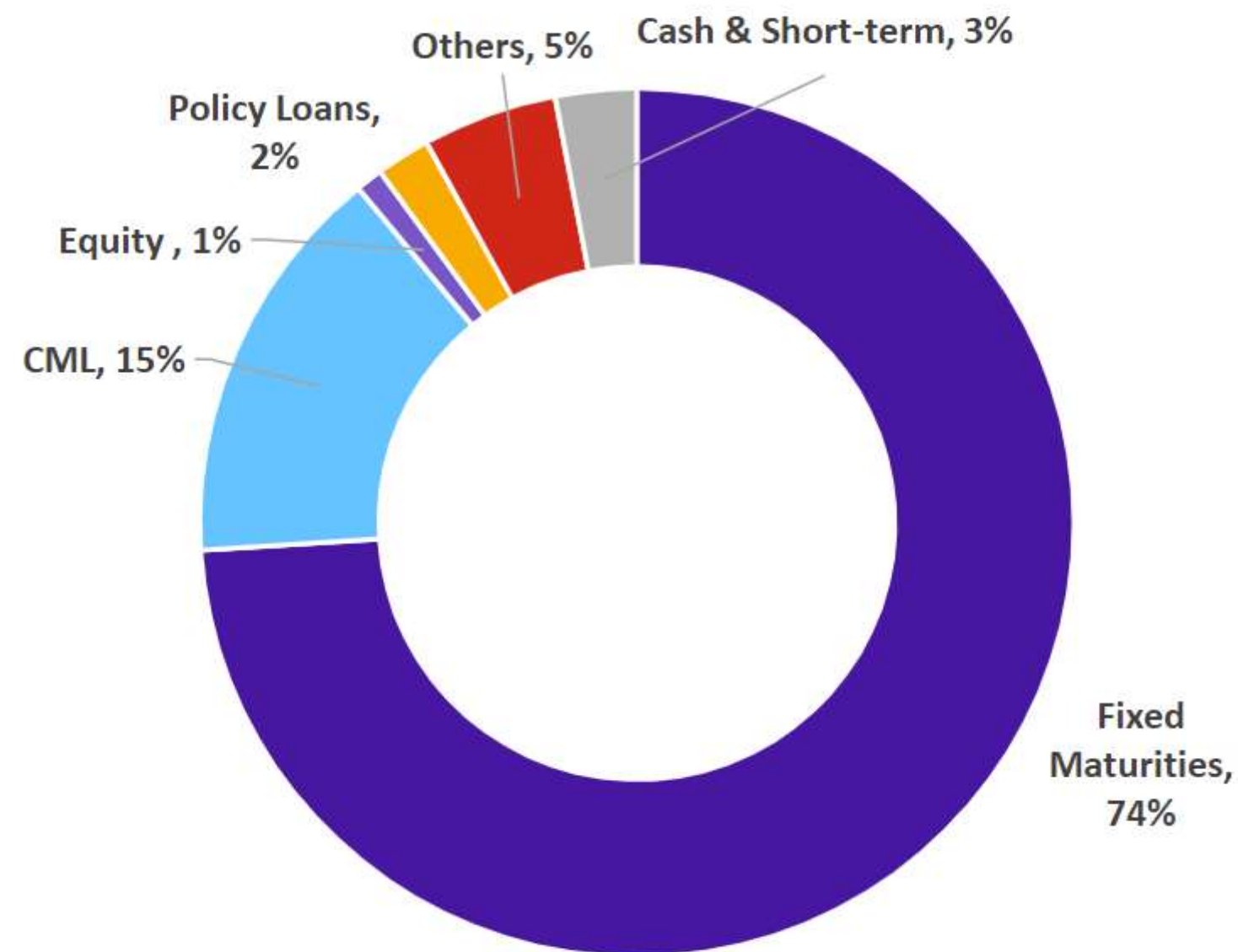
Operating Expenses

Cost of Benefits/Cost of Insurance

Potential Investment Income

Minimizing risks...

September 30, 2023 Asset Allocation



'Others' primarily include derivatives and receivables under certain modco. agreements.

Challenges in today's environment...

- Interest rate changes
- Market volatility
- Changing accounting rules



How is the insurance industry different?

Nature of business- pricing, costs, reserves ✓

Importance of the investment portfolio- risk versus return ✓

Statutory requirements versus GAAP

Target customers changing needs

STAT versus GAAP

GAAP

- Focus on info for investors
- Shift over time from income statement focus to balance sheet focus (fair values)

STAT

- Focus on solvency and claim paying ability of insurer
- Protection of policyholders



How is the insurance industry different?

Nature of business- pricing, costs, reserves



Importance of the investment portfolio- risk versus return



Statutory requirements versus GAAP



Target customers changing needs

Target customers changing needs

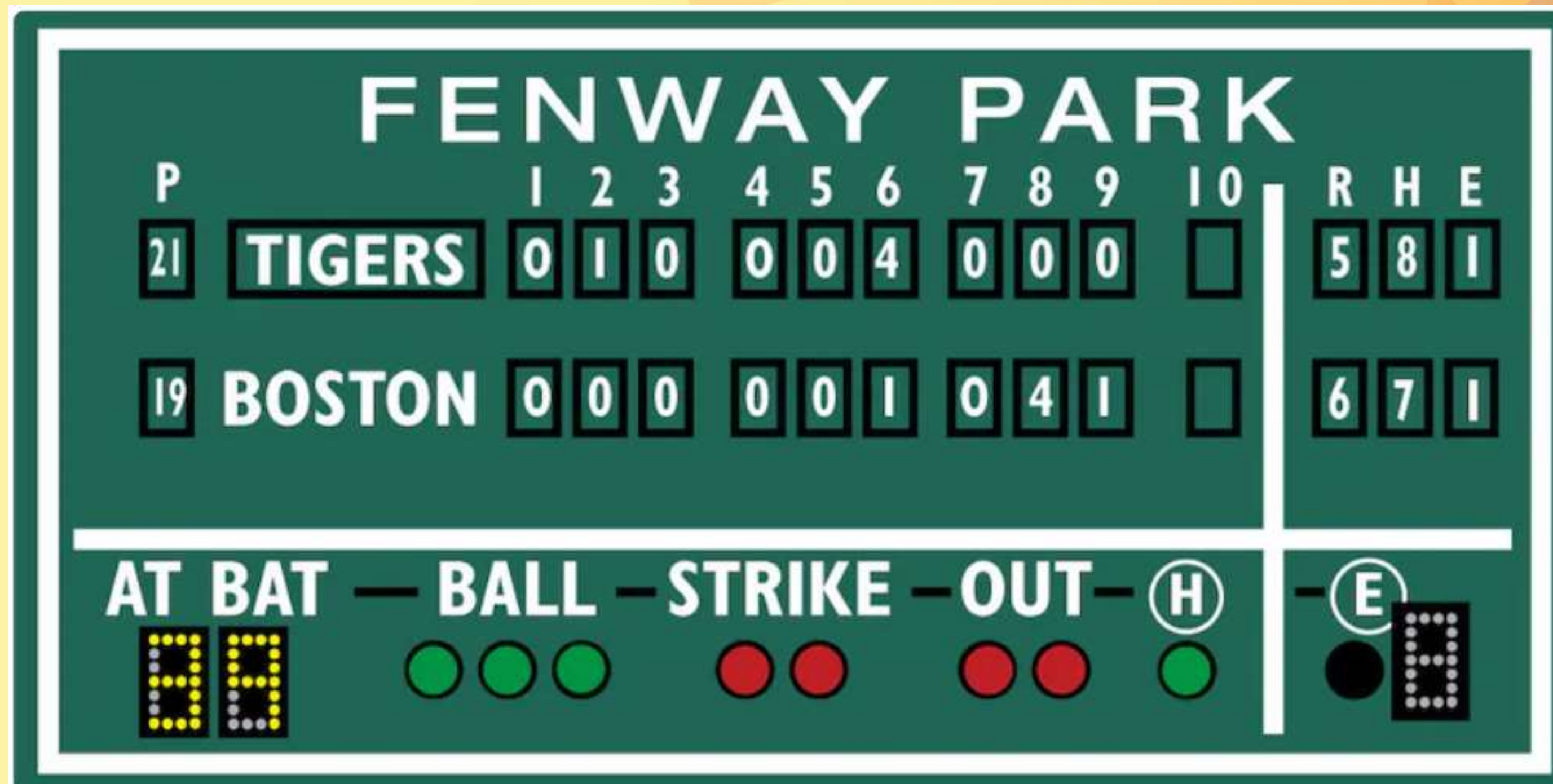
- Aging demographics
- Global implications
- Financial knowledge or customers... or lack?
- Digital implications





What's the Score?





Income Statement: Gives an Overall View of Profitability

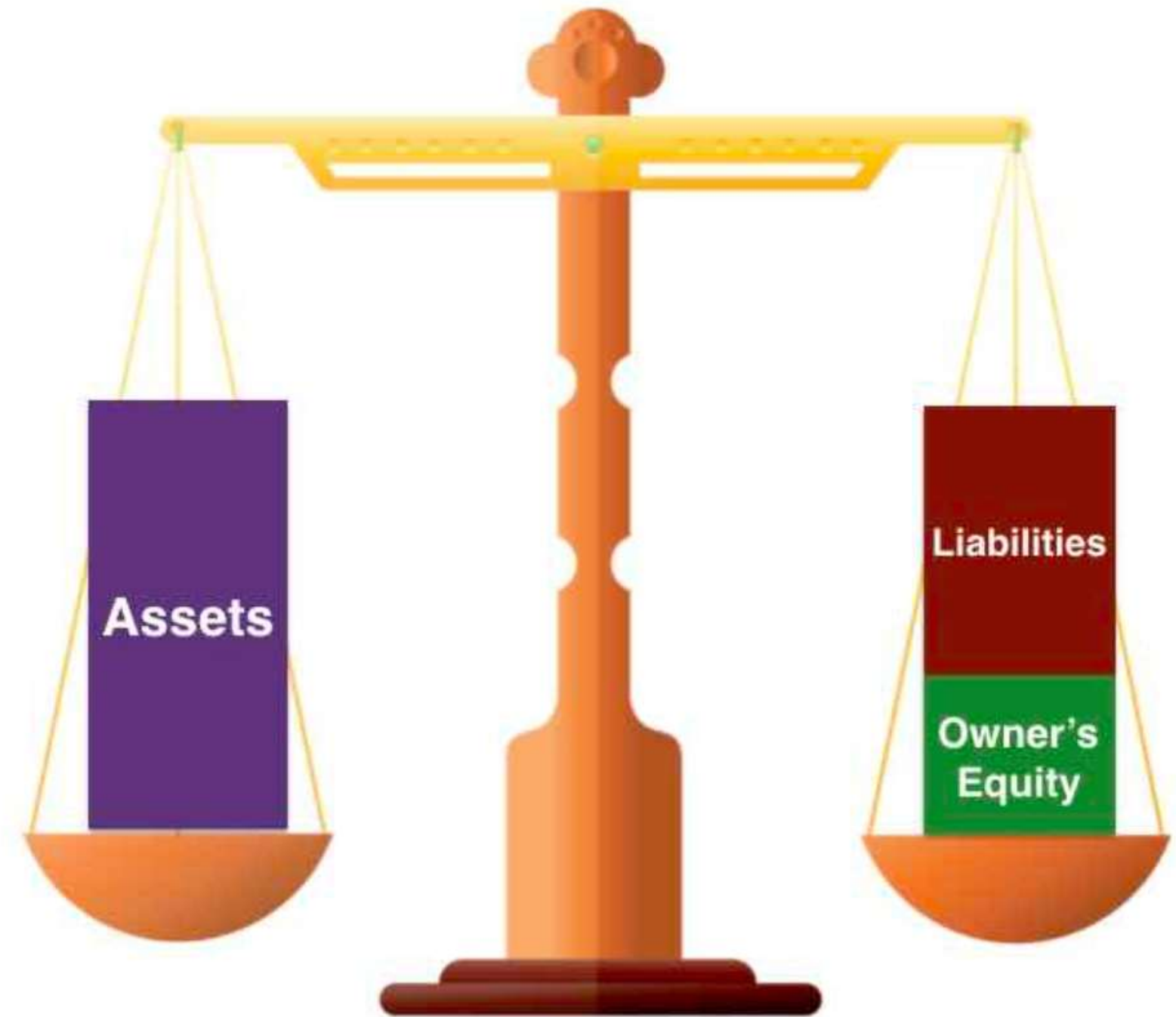
MetLife, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2023, 2022 and 2021
(In millions, except per share data)

	2023	2022	2021
	\$ 44,283	\$ 48,510	\$ 41,152
	5,152	5,225	5,244
	19,908	15,916	21,395
	2,526	2,630	2,619
	(2,824)	(1,260)	1,543
	(2,140)	(2,251)	(3,257)
	66,905	68,770	68,696
	44,590	49,507	43,118
	(45)	114	(172)
	(994)	(3,674)	(1,237)
	7,860	3,894	5,571
	622	706	880
	12,710	11,859	12,018
	64,743	62,406	60,178
	2,162	6,364	8,518
	560	1,062	1,642
	1,602	5,302	6,876

- Key questions to answer include:
- Where is the company making the most money?
 - How much money is the company making from new business? Existing business? and why?
 - Are key product features adequately priced?
 - Which customer segments are most profitable? Are customer retention levels favorable?
 - Which distribution channels are the most profitable and effective?
 - Are expense levels reasonable?
 - Are investment management operations safely optimizing returns?

Balance sheet basics – Insurance Style!

- Assets start with Investment portfolio instead of cash
- Liabilities to policyholders and customers is biggest component
- Investment portfolio versus liabilities
- Owners' investment = Equity=> Surplus



Balance Sheet: A Picture of the Financial Strength

Consolidated Balance Sheets December 31, 2023 and 2022

(In millions, except share and per share data)

	2023	2022
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (net of allowance for credit loss of \$184 and \$183, respectively); and amortized cost: \$300,555 and \$306,025, respectively	\$ 281,412	\$ 276,780
Equity securities, at estimated fair value	757	1,684
Contractholder-directed equity securities and fair value option securities, at estimated fair value	10,331	9,668
Monoline insurance companies (net of allowance for credit loss of \$721 and \$527, respectively)	92,506	83,763
Private equity investments	8,788	8,874
Real estate investments (includes \$317 and \$299, respectively, under the fair value option)	13,332	13,137
Other investments	14,764	14,414
Share investments, principally at estimated fair value	6,045	4,935
Other invested assets (net of allowance for credit loss of \$23 and \$26, respectively; includes \$1,993 and \$1,926, respectively, of leveraged and direct financing leases; \$333 and \$326, respectively, relating to variable interest entities)	18,202	20,038
Total investments	446,137	433,293
Cash and cash equivalents, principally at estimated fair value	20,639	20,195
Accrued investment income	3,589	3,446
Premiums, reinsurance and other receivables	28,971	17,364
Market risk benefits, at estimated fair value	286	280
Deferred policy acquisition costs and value of business acquired	20,151	19,653
Current income tax recoverable	190	42
Deferred income tax asset	2,612	2,439
Goodwill	9,236	9,297
Other assets	11,139	11,025
Separate account assets	144,634	146,038
Total assets	\$ 687,584	\$ 663,072

65% of assets
are
investments

Balance Sheet: A Picture of the Financial Strength of an Insurer and its Ability to Support Growth

Liabilities			
Future policy benefits	\$	196,406	\$ 187,222
Policyholder account balances		219,269	210,597
Market risk benefits, at estimated fair value		3,179	3,763
Other policy-related balances		19,736	18,424
Policyholder dividends payable		386	387
Payables for collateral under securities loaned and other transactions		17,524	20,937
Short-term debt		119	175
Long-term debt		15,548	14,647
Collateral financing arrangement		637	716
Junior subordinated debt securities		3,161	3,158
Deferred income tax liability		927	950
Other liabilities		35,805	25,933
Separate account liabilities		144,634	146,038
Total liabilities		657,331	632,947

Obligations
to pay future benefits
is the biggest liability
component for insurers

Balance Sheet: A Picture of the Financial Strength of an Insurer and its Ability to Support Growth

Equity		
MetLife, Inc.'s stockholders' equity:		
Preferred stock, par value \$0.01 per share; \$3,905 aggregate liquidation preference	—	—
Common stock, par value \$0.01 per share; 3,000,000,000 shares authorized; 1,191,823,651 and 1,189,831,471 shares issued, respectively; 730,821,111 and 779,098,414 shares outstanding, respectively	12	12
Additional paid-in capital	33,690	33,616
Retained earnings	40,146	40,332
Treasury stock, at cost; 461,002,540 and 410,733,057 shares, respectively	(24,591)	(21,458)
Accumulated other comprehensive income (loss)	(19,242)	(22,621)
Total MetLife, Inc.'s stockholders' equity	30,015	29,881
Noncontrolling interests	238	244
Total equity	30,253	30,125
Total liabilities and equity	\$ 687,584	\$ 663,072

Equity levels
determine the amount of
business a company can write
and its ability to support growth

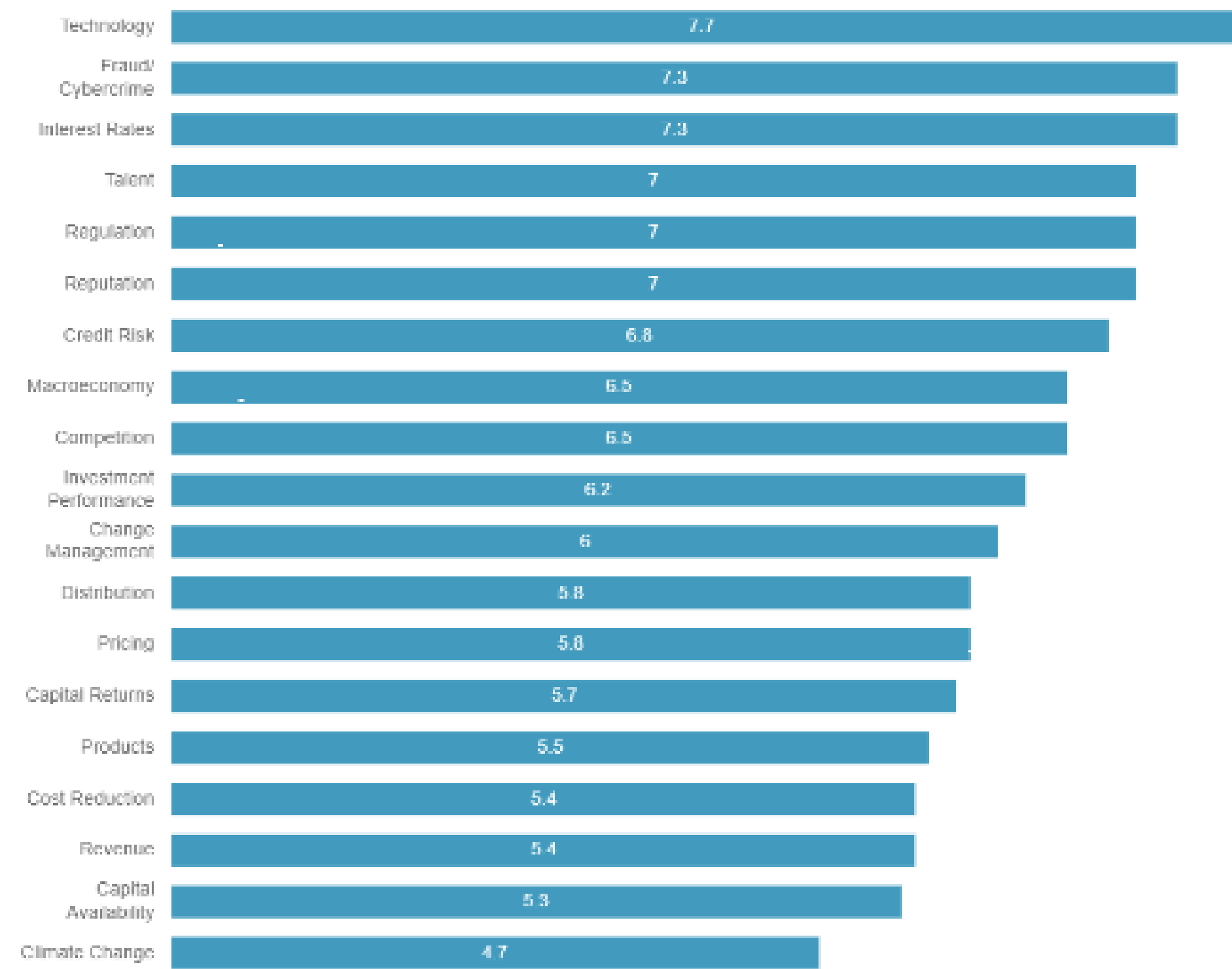
Source: BestLink – Best's Financial Suite



What's My Role for the Future?



Main Risks Facing the Industry Over the Next Few Years



(Mean rating on a 1-10 scale)

Financial Literacy at Any Level!

The financial question each leader must answer:

INDIVIDUAL CONTRIBUTOR

How does the firm make money, and is the firm financially strong?

MANAGER

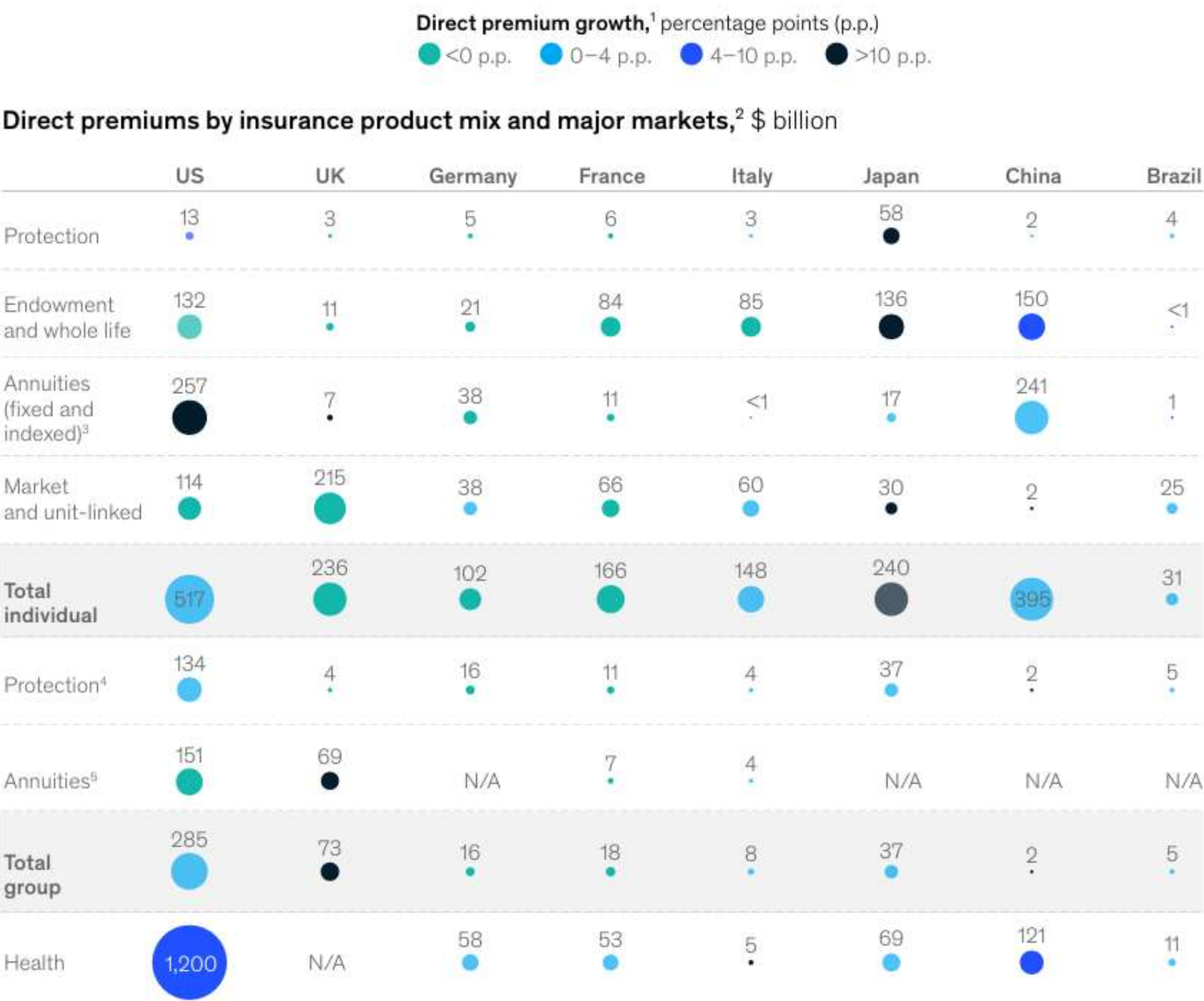
What are the firm's revenue and growth drivers, and how do these drivers connect to the business strategy?

DIRECTOR

Looking at lagging indicators (contract value, net retention rate) and leading indicators (cost predictions, macroeconomic forecasts), is the firm playing in a growing market?

What's the future?

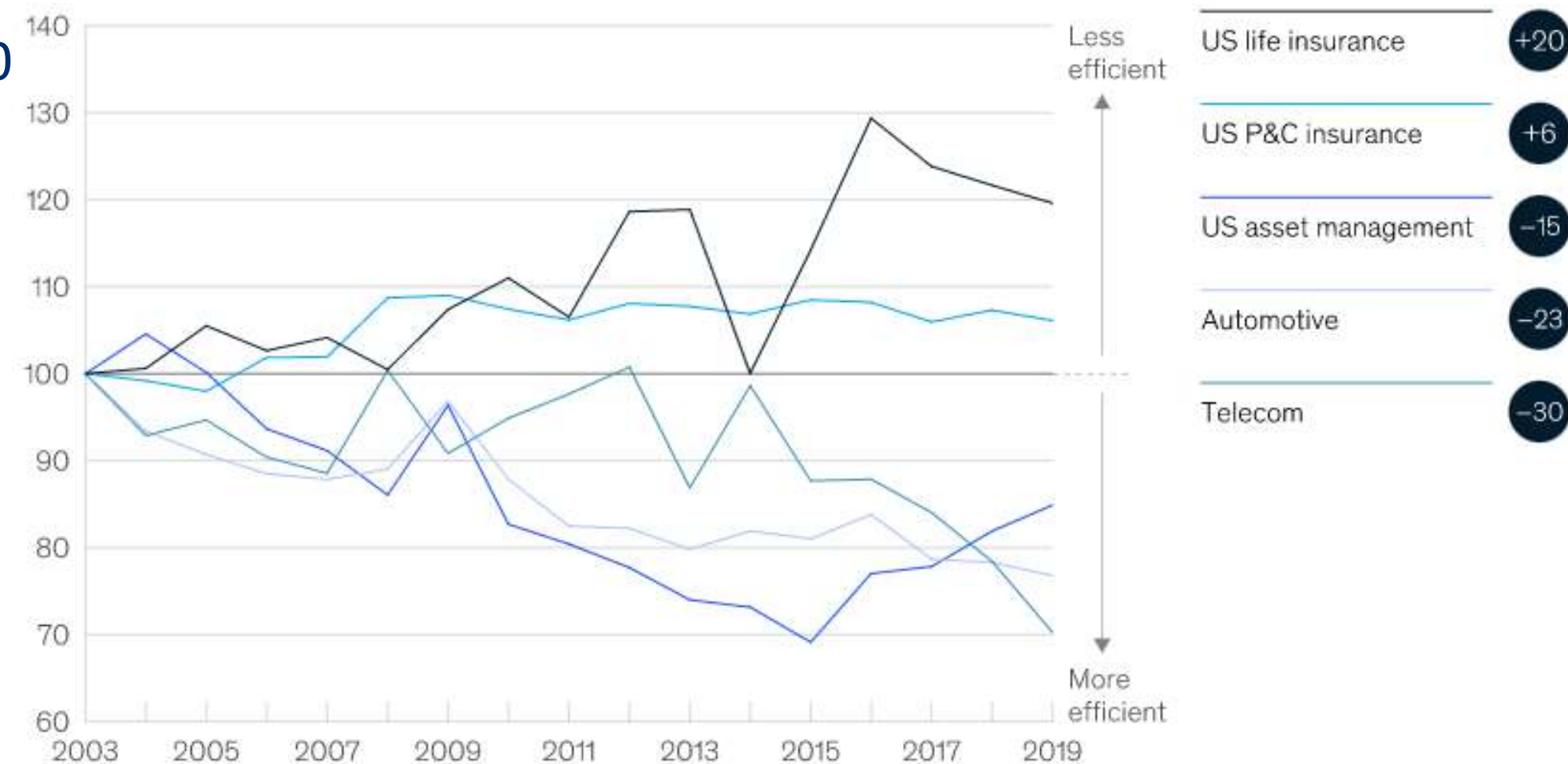
Carriers must be ready to respond to industry and macroeconomic forces creating diverging growth between products and regions.



Compared with other industries, the insurance industry has not yet structurally addressed operating costs.

Cost efficiency evolution per industry, $^{10}/_0$, normalized at

100% in 200



¹Indexed and expressed as "SG&A expenses as % of revenues"; based on large global players for which continuous reporting is available—28 players in insurance (10 composite focus, 9 life focus, 9 P&C focus), 10 telecom players (including AT&T, China Telecom, Vodafone), 8 road & rail players (including Russian Railways, Japan Railways companies, DSV), 10 automotive players (including Ford, Toyota, Volkswagen) and 10 airlines (including Air France-KLM, American Airlines, Emirates).

²Selling, general, and administrative.

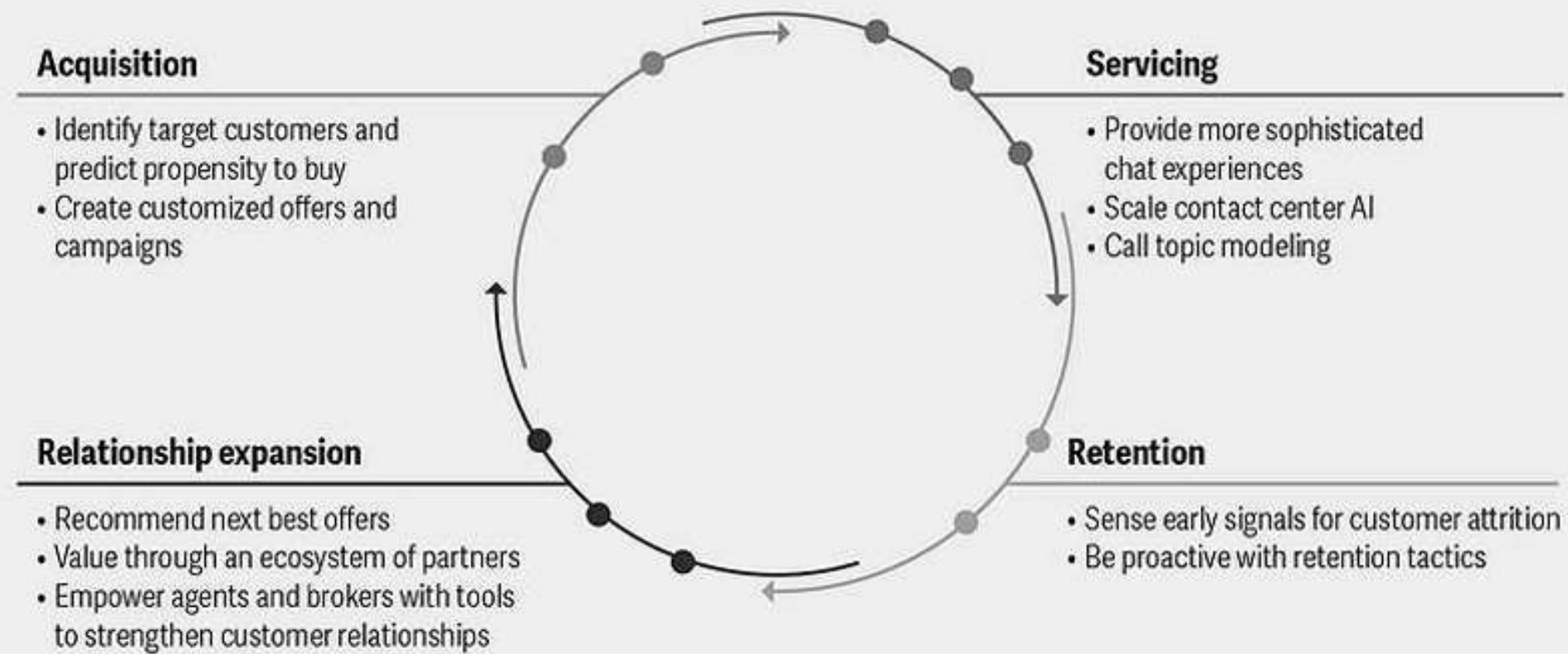
Source: S&P Capital IQ; McKinsey analysis

McKinsey
& Company

Efficiencies in the Industry

Figure 4

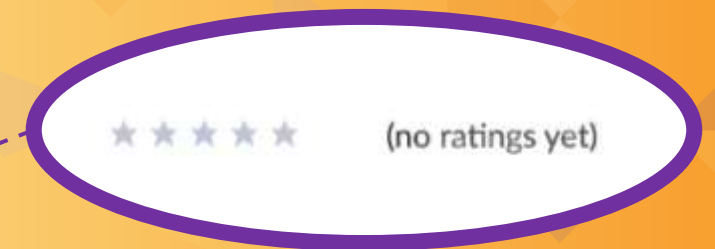
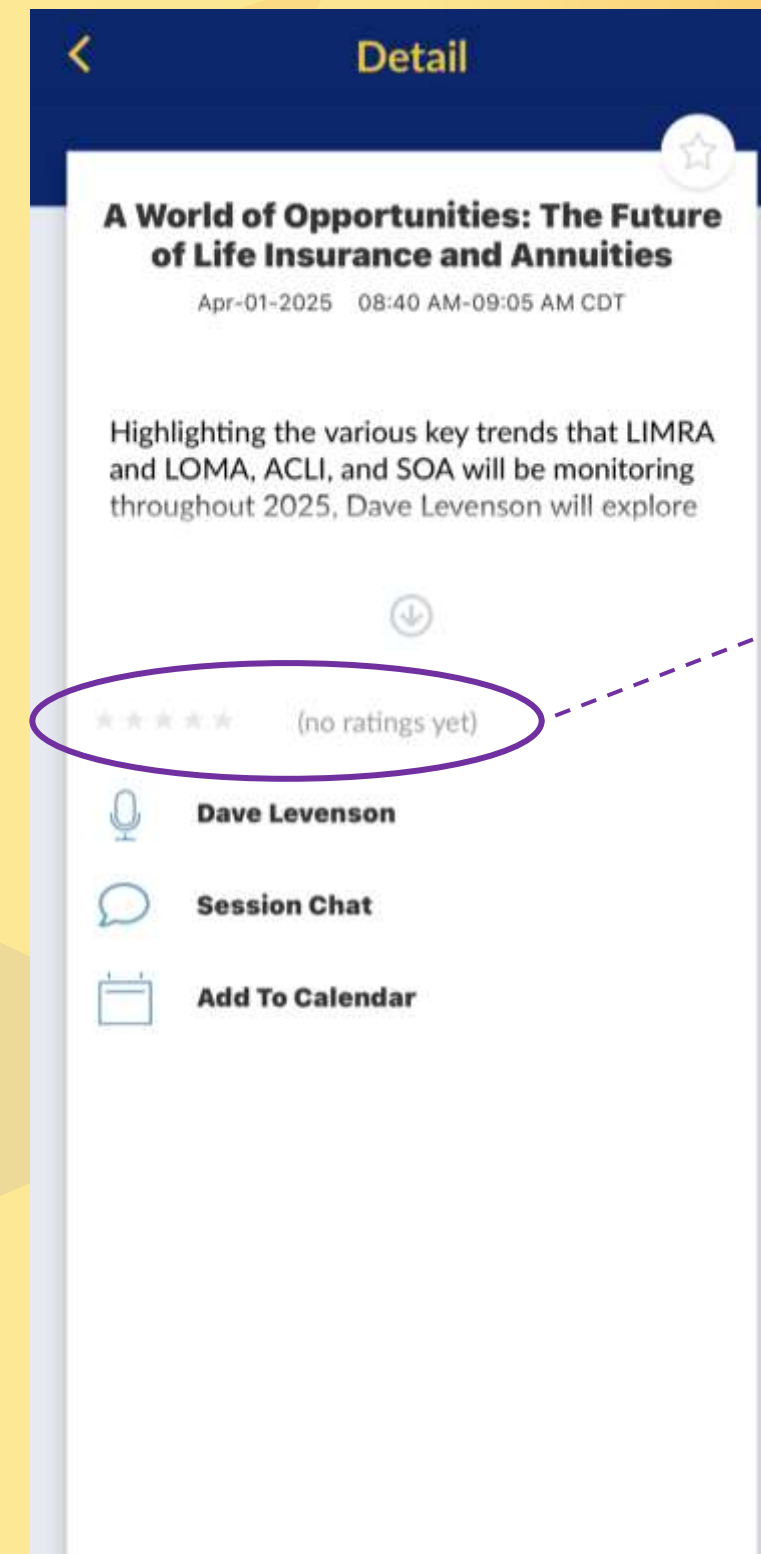
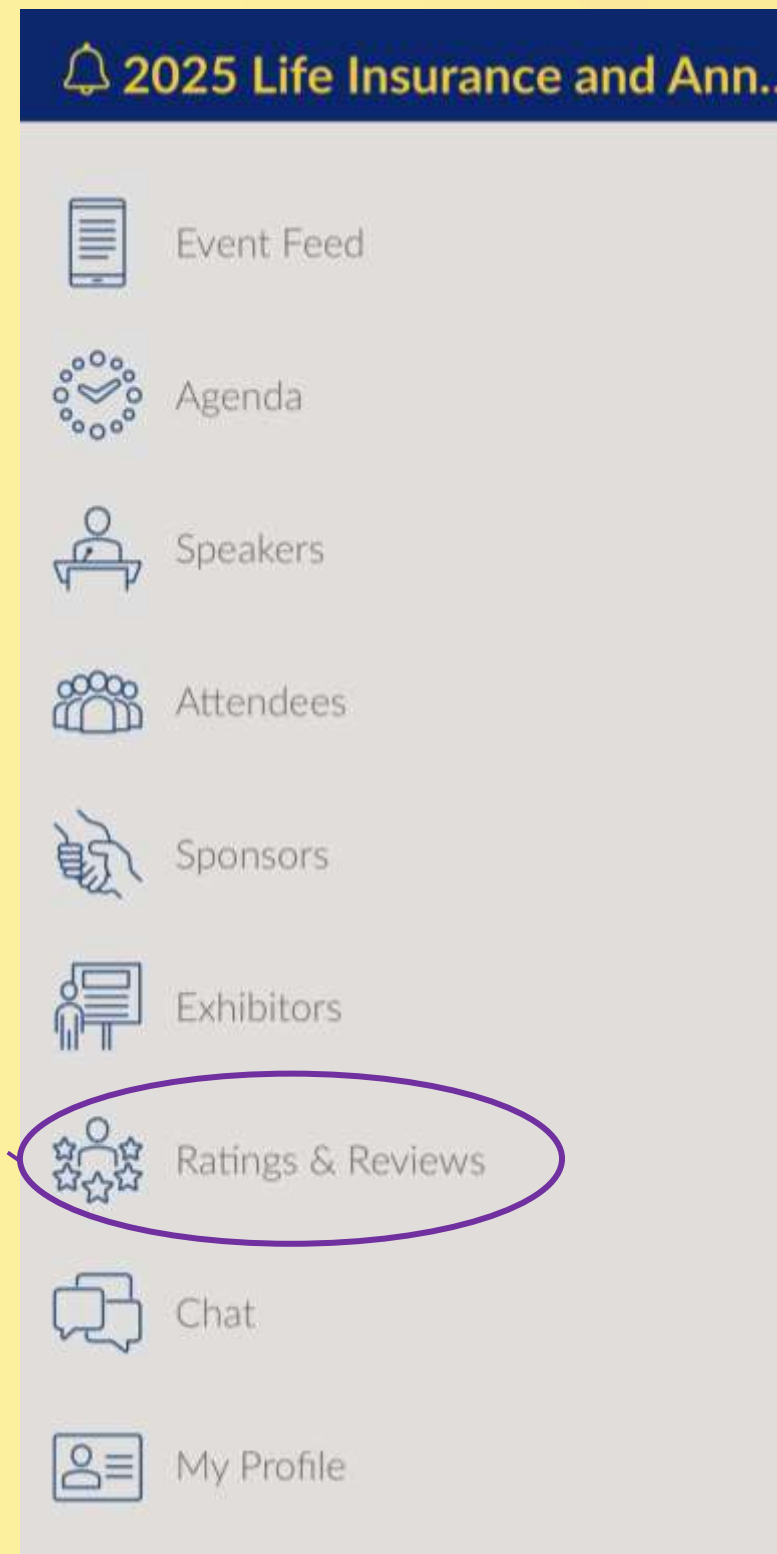
AI and advanced analytics can help offer better personalized services and enhance customer experience



Source: Deloitte analysis.

Deloitte. | deloitte.com/us/en/insights/research-centers/center-for-financial-services.html

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Thank You

