



# 2026 LIFE INSURANCE AND ANNUITY CONFERENCE

*The Power of Promise*

**Financial Fluency for Insurance  
Leaders: Speak the Language of  
Business**



**LIMA LOMA**

 **Society of  
Actuaries**

**ACLI**



## **Dave Bedard**

*Retired Senior Insurance Industry  
Executive and CFO*

**LIMA** **LOMA**

 **Society of  
Actuaries**

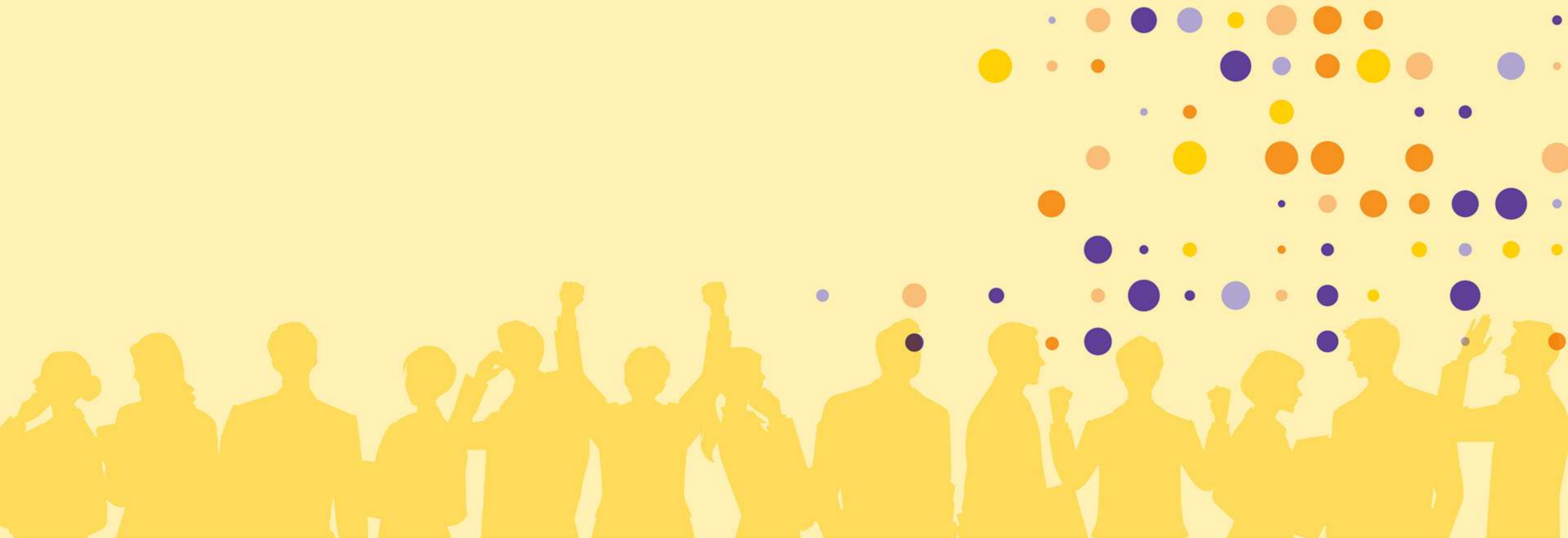
**ACLI**

***“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

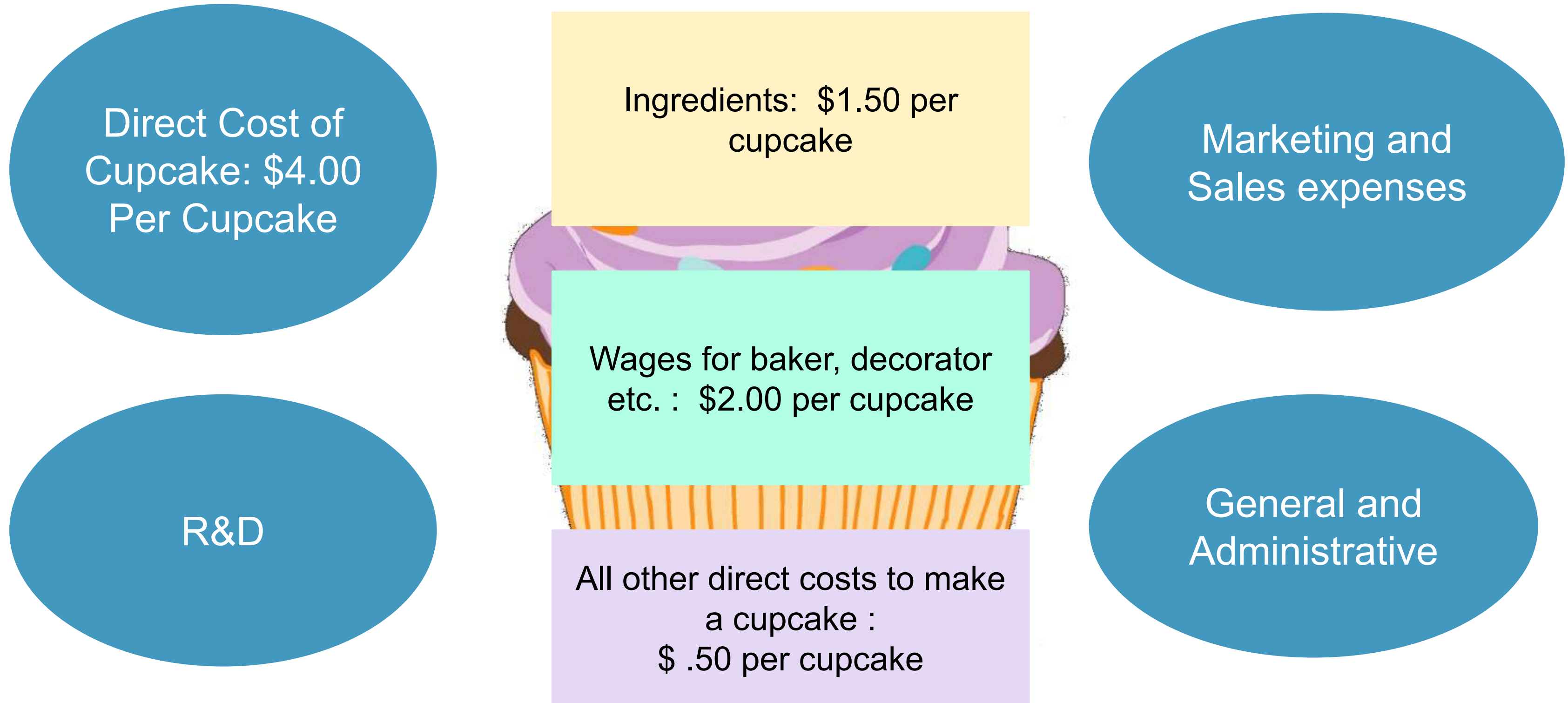
# How Companies Make Money





## 3 Basic Rules of Finance

# Rule #1: Know your costs!



## Rule #2: Price appropriately



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



# How Is a Life Insurance Company Different?



# How Is the Insurance Industry Different?

- Long-term 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?



Operations-  
Underwriting Profit



Investment Income

# Pricing Factors

**Cost of Benefits**

**Investment Income**

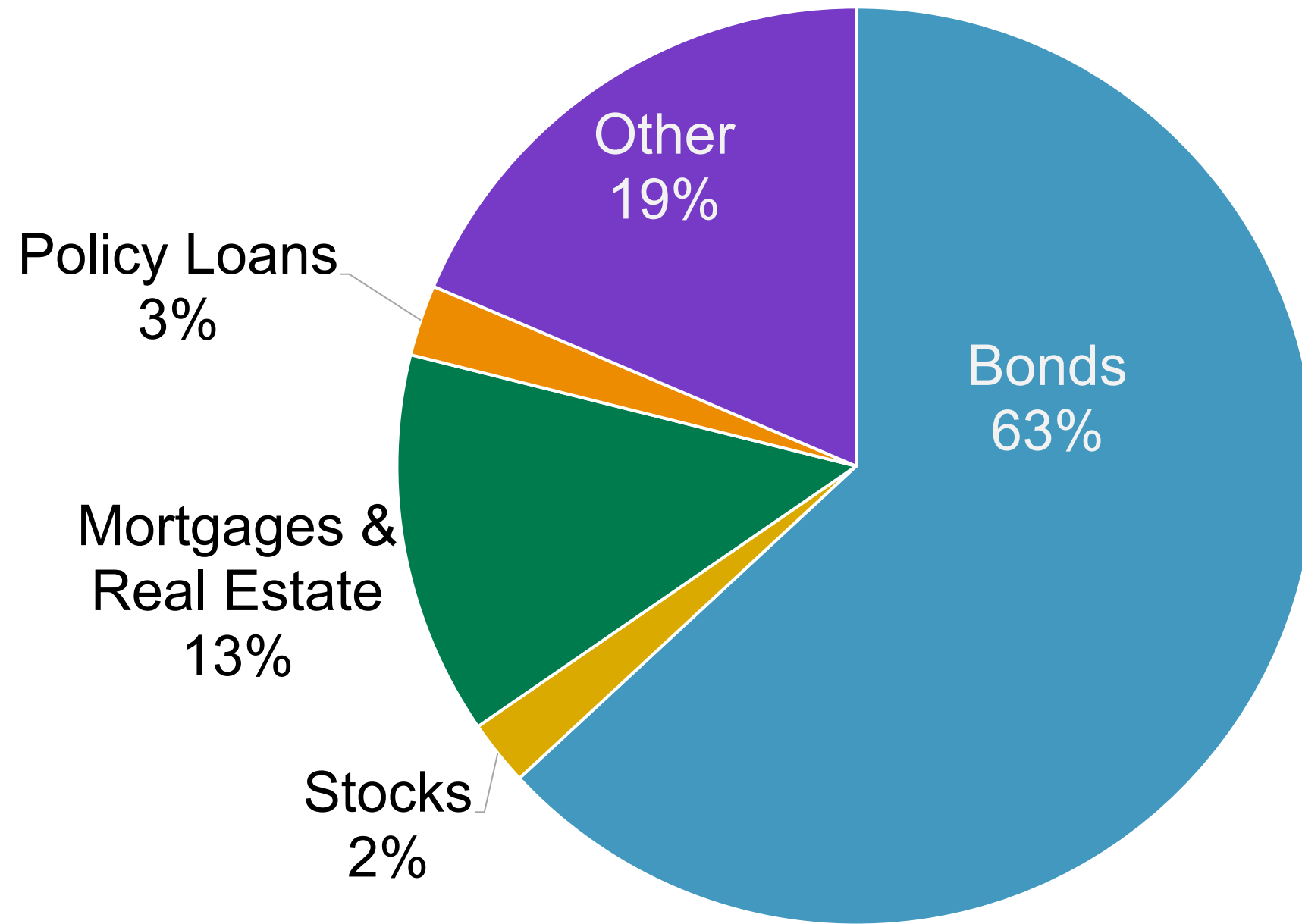
**Operating Expenses**

**Competitiveness**

**Profitability/  
Return on Capital**

# Importance of the Investment Portfolio

Asset Allocation  
ACLI Factbook 2025



# Challenges in Today's Environment

- Asset Liability Management (ALM)
- Interest rate changes
- Market volatility
- Changing accounting rules



# STAT versus GAAP

## GAAP (Generally Accepted Accounting Principles)

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

## STAT (Statutory Accounting Principles)

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



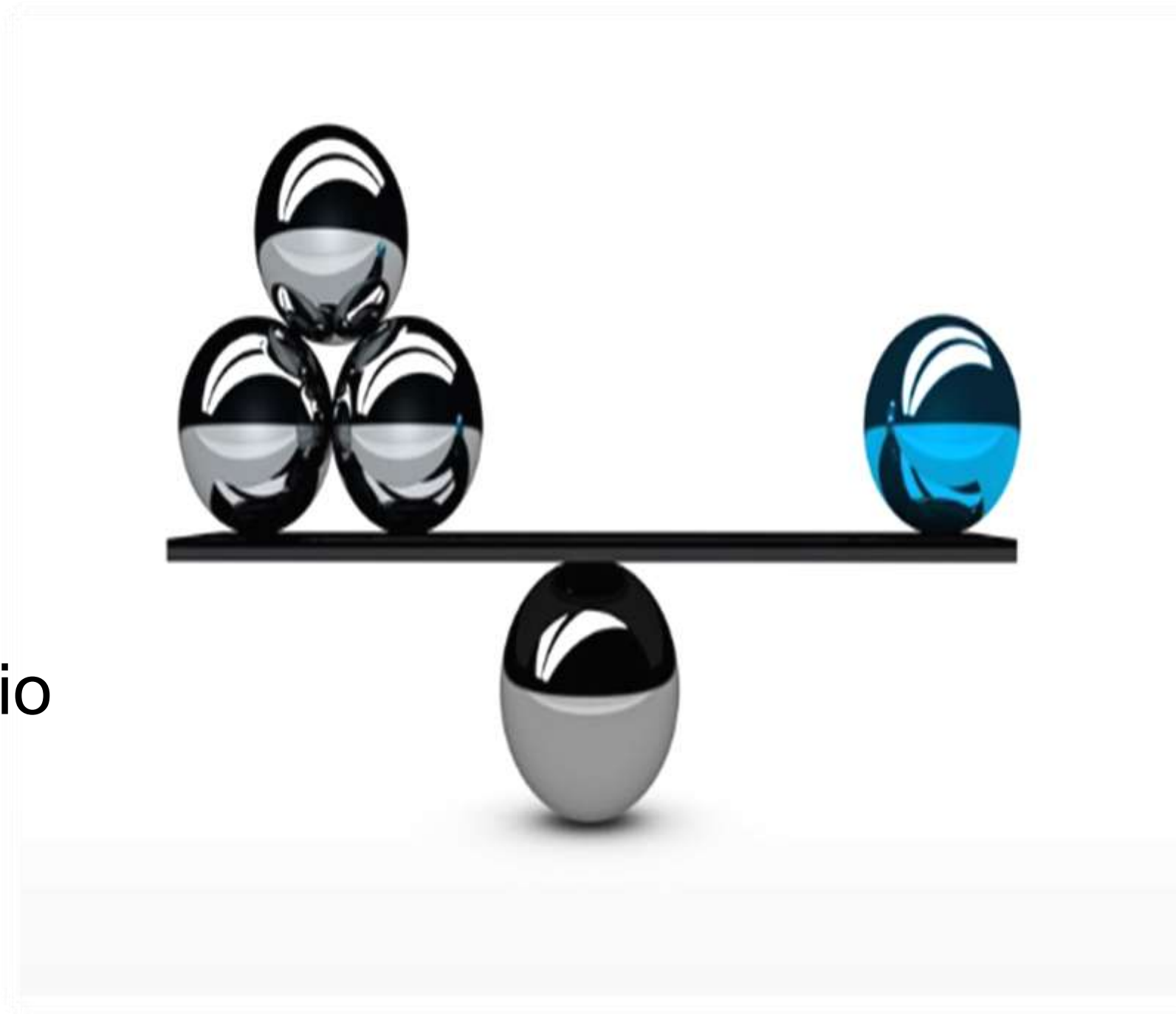
# Target Customers Changing Needs

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

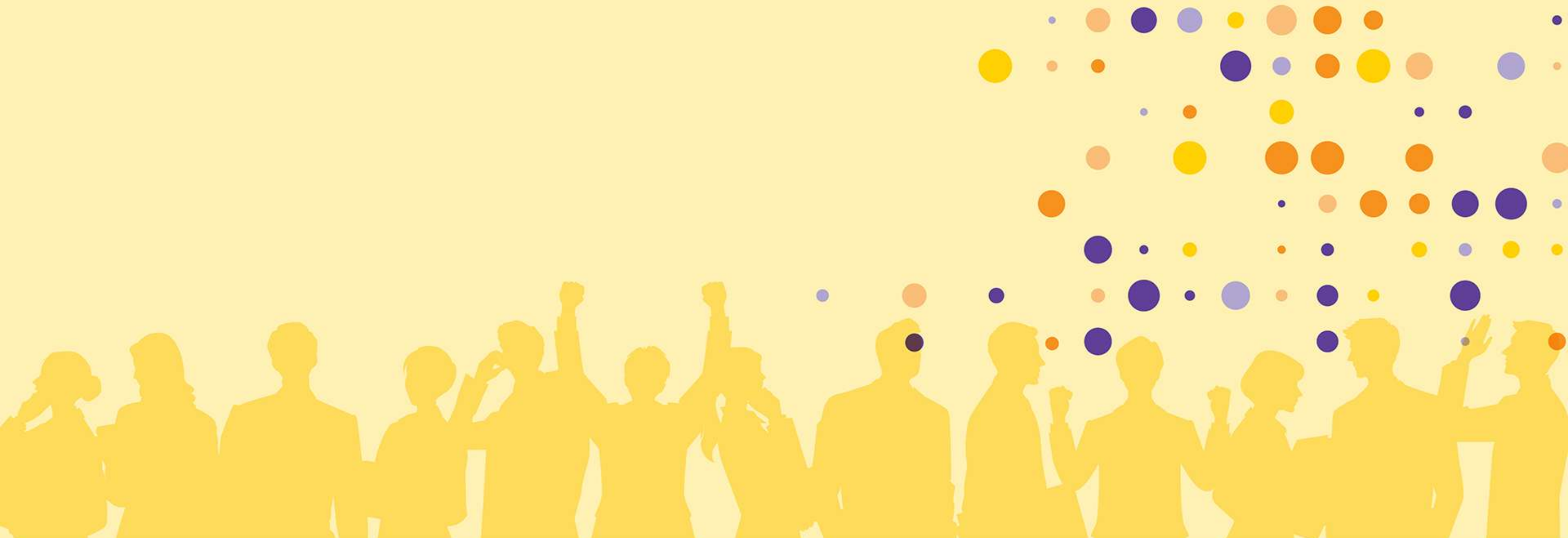


# The Balancing Act

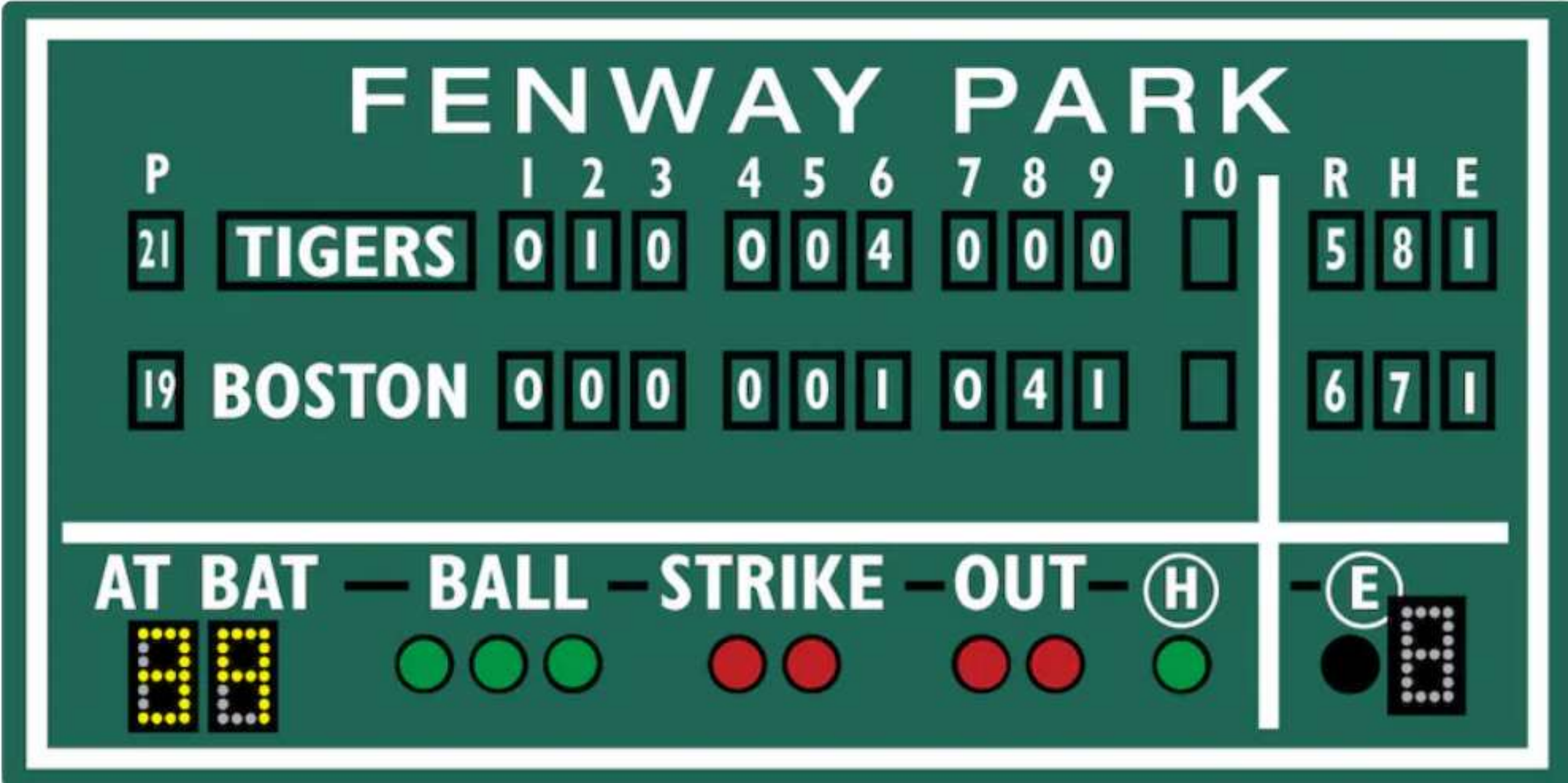
Product Suite  
Sales Volume  
Distribution  
Pricing  
Business Mix  
Investment Portfolio  
Risk Management



Competitive Pressures  
Macro Economic Factors  
Regulatory Environment  
Earnings/Profitability  
Capital  
Ratings



## What's the Score?



# Income Statement: Give an Overall View of Profitability

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?

**MetLife, Inc.**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2024, 2023 and 2022**  
(In millions, except per share data)

	2024	2023	2022
<b>Revenues</b>			
Premiums	\$ 44,945	\$ 44,283	\$ 48,510
Universal life and investment-type product policy fees	4,974	5,152	5,225
Net investment income	21,273	19,908	15,916
Other revenues	2,601	2,526	2,630
Net investment gains (losses)	(1,184)	(2,824)	(1,260)
Net derivative gains (losses)	(1,623)	(2,140)	(2,251)
Total revenues	<u>70,986</u>	<u>66,905</u>	<u>68,770</u>
<b>Expenses</b>			
Policyholder benefits and claims	44,728	44,590	49,507
Policyholder liability remeasurement (gains) losses	(206)	(45)	114
Market risk benefit remeasurement (gains) losses	(1,109)	(994)	(3,674)
Interest credited to policyholder account balances	8,339	7,860	3,894
Policyholder dividends	595	622	706
Other expenses	13,017	12,710	11,859
Total expenses	<u>65,364</u>	<u>64,743</u>	<u>62,406</u>
Income (loss) before provision for income tax	5,622	2,162	6,364
Provision for income tax expense (benefit)	1,178	560	1,062
Net income (loss)	4,444	1,602	5,302
Less: Net income (loss) attributable to noncontrolling interests	18	24	18
Net income (loss) attributable to MetLife, Inc.	4,426	1,578	5,284
Less: Preferred stock dividends	200	198	185
Net income (loss) available to MetLife, Inc.'s common shareholders	<u>\$ 4,226</u>	<u>\$ 1,380</u>	<u>\$ 5,099</u>
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:			
Basic	<u>\$ 5.98</u>	<u>\$ 1.82</u>	<u>\$ 6.35</u>
Diluted	<u>\$ 5.94</u>	<u>\$ 1.81</u>	<u>\$ 6.30</u>

# 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' Equity/Surplus



# Balance Sheet: A Picture of the Financial Strength

## Consolidated Balance Sheets December 31, 2024 and 2023

(In millions, except share and per share data)

	2024	2023
<b>Assets</b>		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (net of allowance for credit loss of \$160 and \$184, respectively); and amortized cost: \$307,421 and \$300,555, respectively	\$ 281,043	\$ 281,412
Equity securities, at estimated fair value	712	757
Contractholder-directed equity securities and fair value option securities, at estimated fair value	10,672	10,331
Mortgage loans (net of allowance for credit loss of \$800 and \$721, respectively)	89,012	92,506
Policy loans	8,545	8,788
Real estate and real estate joint ventures (includes \$378 and \$317, respectively, under the fair value option; \$65 and \$0, respectively, of real estate held-for-sale; \$183 and \$0, respectively, relating to variable interest entities)	13,342	13,332
Other limited partnership interests	14,378	14,764
Short-term investments, principally at estimated fair value	5,156	6,045
Other invested assets (net of allowance for credit loss of \$0 and \$23, respectively; includes \$1,851 and \$1,993, respectively, of leveraged and direct financing leases; \$424 and \$333, respectively, relating to variable interest entities)	18,504	18,202
Total investments	441,364	446,137
Cash and cash equivalents, principally at estimated fair value	20,068	20,639
Accrued investment income	3,489	3,589
Premiums, reinsurance and other receivables (includes \$47 and \$0, respectively, relating to variable interest entities)	29,761	28,971
Market risk benefits, at estimated fair value	372	286
Deferred policy acquisition costs and value of business acquired	19,627	20,151
Current income tax recoverable	295	190
Deferred income tax asset	2,994	2,612
Goodwill	8,901	9,236
Other assets	11,082	11,139
Separate account assets	139,504	144,634
Total assets	\$ 677,457	\$ 687,584

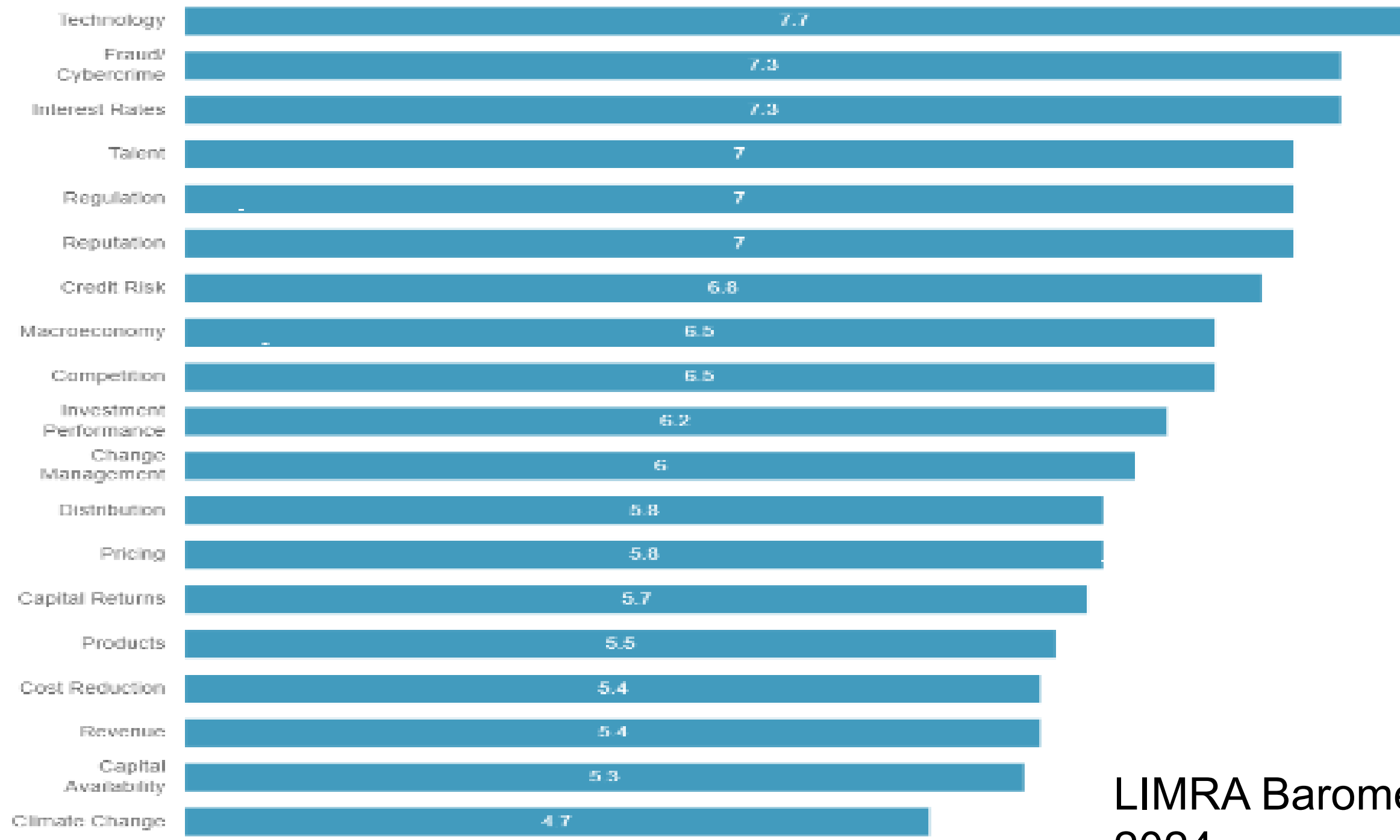
# Balance Sheet: A Picture of the Financial Strength

<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Future policy benefits	\$	193,646	\$ 196,406
Policyholder account balances		221,445	219,269
Market risk benefits, at estimated fair value		2,581	3,179
Other policy-related balances		18,899	19,736
Policyholder dividends payable		385	386
Payables for collateral under securities loaned and other transactions		17,128	17,524
Short-term debt (includes \$133 and \$0, respectively, relating to variable interest entities)		465	119
Long-term debt		15,086	15,548
Collateral financing arrangement		476	637
Junior subordinated debt securities		3,164	3,161
Deferred income tax liability		132	927
Other liabilities		36,843	35,805
Separate account liabilities		139,504	144,634
<b>Total liabilities</b>		<b>649,754</b>	<b>657,331</b>
<b>Contingencies, Commitments and Guarantees (Note 24)</b>			
<b>Equity</b>			
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; 1,194,168,628 and 1,191,823,651 shares issued, respectively; 689,211,065 and 730,821,111 shares outstanding, respectively		12	12
Additional paid-in capital		33,791	33,690
Retained earnings		42,626	40,146
Treasury stock, at cost; 504,957,563 and 461,002,540 shares, respectively		(27,798)	(24,591)
Accumulated other comprehensive income (loss)		(21,186)	(19,242)
<b>Total MetLife, Inc.'s stockholders' equity</b>		<b>27,445</b>	<b>30,015</b>
Noncontrolling interests		258	238
<b>Total equity</b>		<b>27,703</b>	<b>30,253</b>
<b>Total liabilities and equity</b>	<b>\$</b>	<b>677,457</b>	<b>\$ 687,584</b>



## What's My Role for the Future?

# Main Risks Facing the Industry over the Next Few Years



(Mean rating on a 1-10 scale)

LIMRA Barometer Study  
2024

Source: Title, Year.

# 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.**

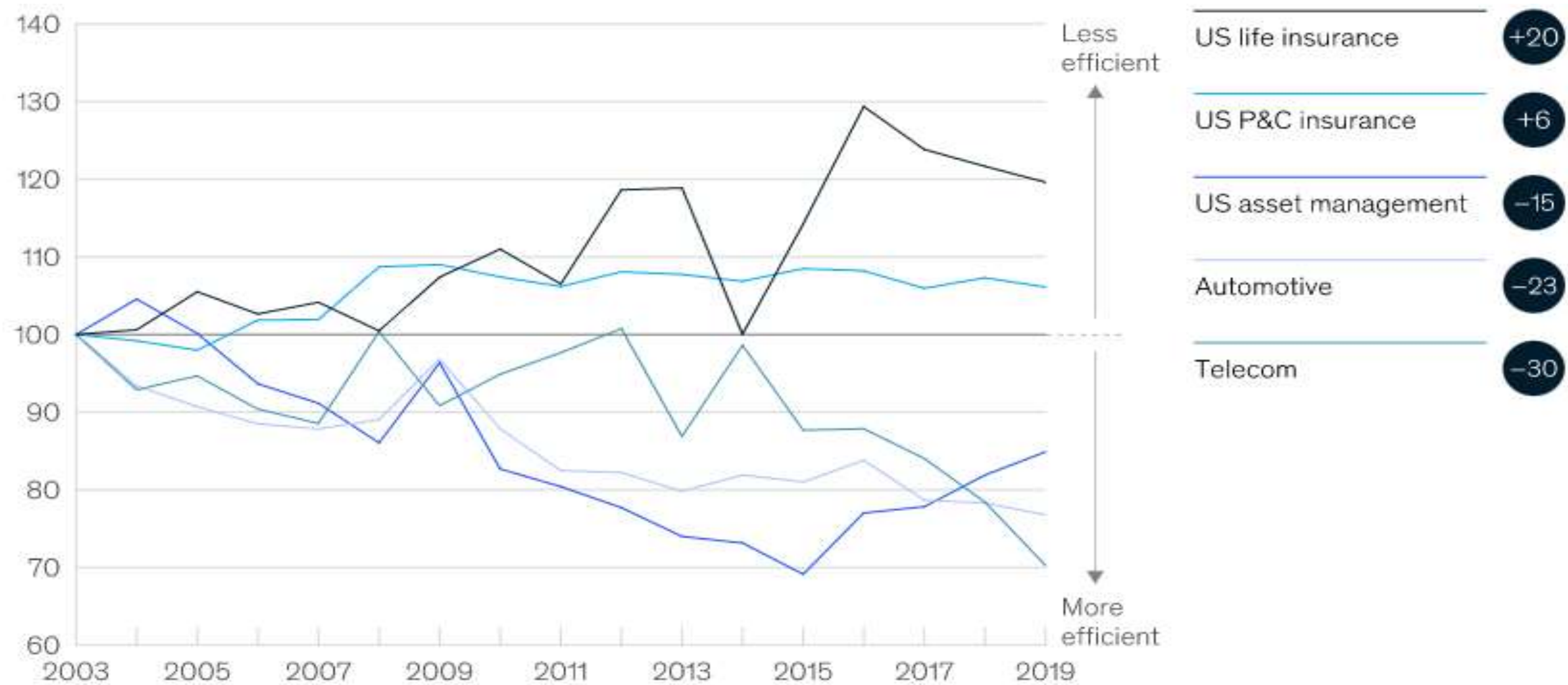
Direct premium growth,<sup>1</sup> percentage points (p.p.)  
 ● <0 p.p. ● 0-4 p.p. ● 4-10 p.p. ● >10 p.p.

Direct premiums by insurance product mix and major markets,<sup>2</sup> \$ billion

	US	UK	Germany	France	Italy	Japan	China	Brazil
Protection	13 ●	3 ●	5 ●	6 ●	3 ●	58 ●	2 ●	4 ●
Endowment and whole life	132 ●	11 ●	21 ●	84 ●	85 ●	136 ●	150 ●	<1 ●
Annuities (fixed and indexed) <sup>3</sup>	257 ●	7 ●	38 ●	11 ●	<1 ●	17 ●	241 ●	1 ●
Market and unit-linked	114 ●	215 ●	38 ●	66 ●	60 ●	30 ●	2 ●	25 ●
<b>Total individual</b>	<b>517</b> ●	<b>236</b> ●	<b>102</b> ●	<b>166</b> ●	<b>148</b> ●	<b>240</b> ●	<b>395</b> ●	<b>31</b> ●
Protection <sup>4</sup>	134 ●	4 ●	16 ●	11 ●	4 ●	37 ●	2 ●	5 ●
Annuities <sup>5</sup>	151 ●	69 ●	N/A	7 ●	4 ●	N/A	N/A	N/A
<b>Total group</b>	<b>285</b> ●	<b>73</b> ●	<b>16</b> ●	<b>18</b> ●	<b>8</b> ●	<b>37</b> ●	<b>2</b> ●	<b>5</b> ●
Health	1,200 ●	N/A	58 ●	53 ●	5 ●	69 ●	121 ●	11 ●

# Insurance Industry compared with other Industries

## Cost efficiency evolution per industry, $^{10}/_0$ , normalized at 100% in 2009



McKinsey  
&  
Company

<sup>1</sup>Indexed 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).

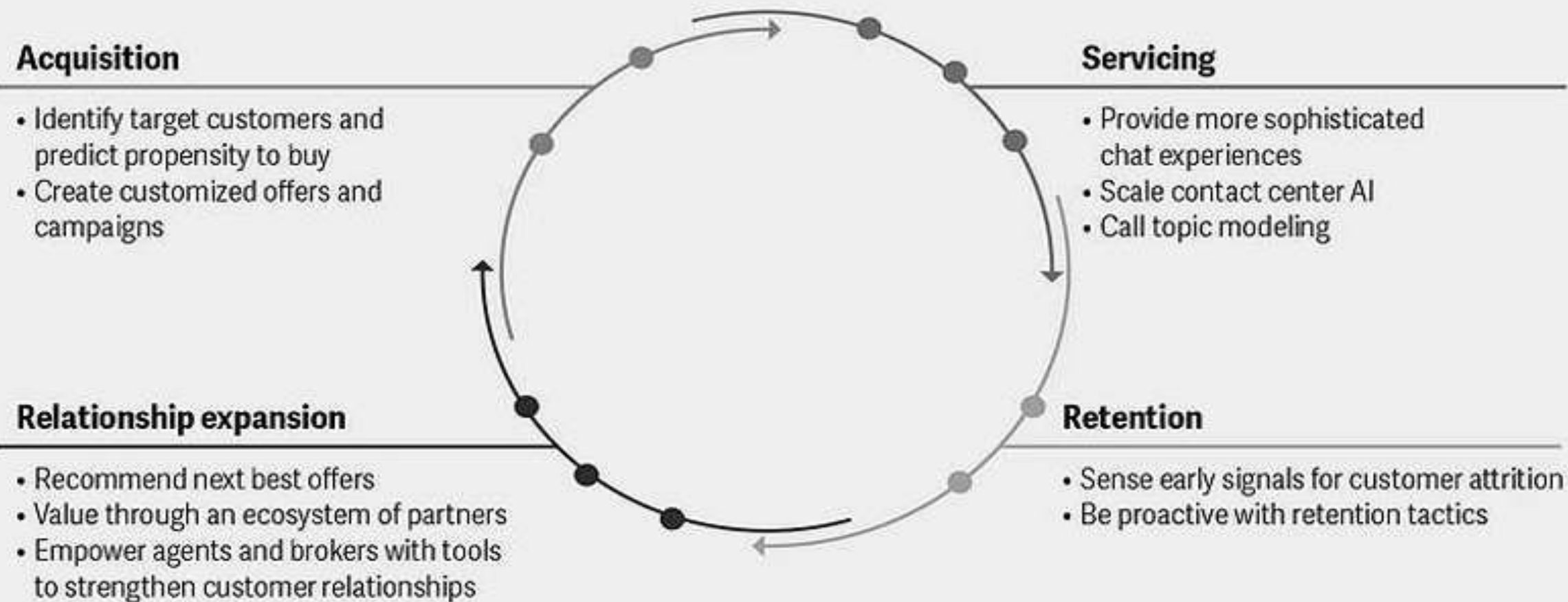
<sup>2</sup>Selling, general, and administrative.

Source: S&P Capital IQ; McKinsey analysis

# 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](https://deloitte.com/us/en/insights/research-centers/center-for-financial-services.html)

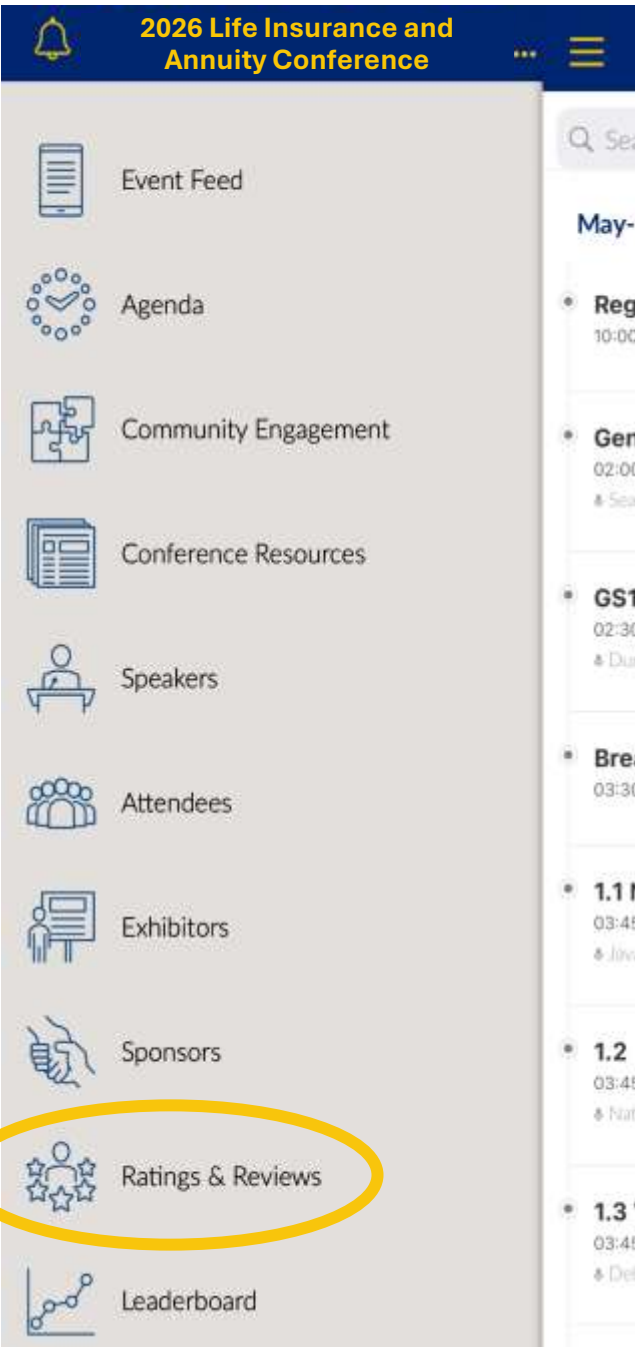
# Questions



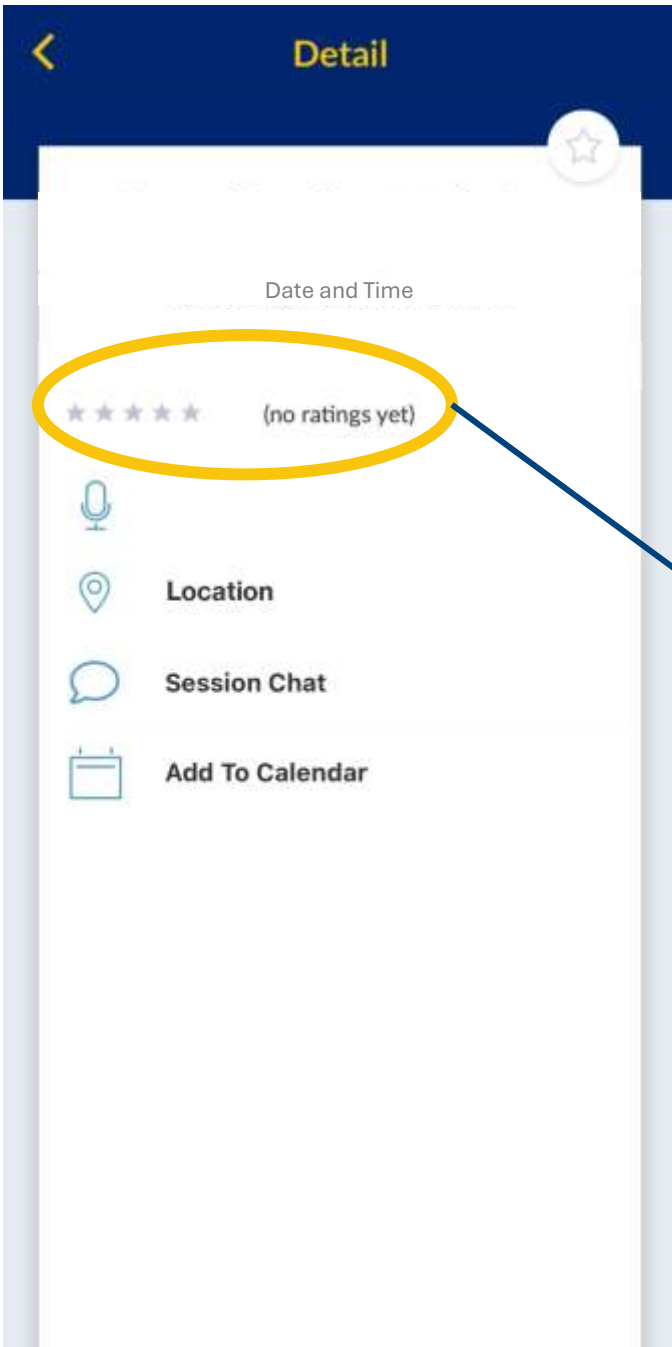
# We Value Your Feedback — Share It in the Conference App



## Module Option



## Agenda Option



# Thank You

