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IN THE MATTER OF: : TRANSCRIPT OF
: PROCEEDINGS
METROPOLITAN LIFE DEMUTUALIZATION :
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- - - - - - - - - - - - - - - - x January 24, 2000

TRANSCRIPT of the videotaped hearing of the Metropolitan Life Demutualization Matter.

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SUPERINTENDENT LEVIN: Good morning, ladies and gentlemen. My name is Neil Levin. I'm the Superintendent of Insurance in New York State. With me, on our panel today, on my left we have Gene Murphy, who is a supervising insurance examiner in our Life Insurance Bureau. On my direct left is Jeff Angelo, who is the Acting Bureau Chief in the Life Bureau. To my right is Greg Serio, the First Deputy Superintendent. To his right is Kevin Rampe, the Department's General Counsel, and all the way at the end, last but not least, is the Deputy General Counsel, Audrey Samers.

I've called this public hearing to receive testimony regarding the plan of the Metropolitan Life Insurance Company, which I will refer to as MetLife, to convert from a mutual life insurer to a stock life insurer. The process called demutualization. Section 7312 of the insurance law, enacted in 1988 by the New York State legislature, specifically authorizes a domestic mutual life insurance company to reorganize into a domestic stock life insurer. The statute provides that if the company wishes to reorganize, its Board of Directors must adopt a

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plan of re-organization by an action of three-fourths of its entire board. Before such plan can become effective, approval by two-thirds of its policyholders who vote, and the superintendent, is required.

The purpose of the public hearing is to receive testimony upon the fairness of the terms and conditions of the plan of re-organization, the reasons and purposes of the mutual life insurer to demutualize and whether the reorganization is in the interest of the usual life insurer and its policyholders and not detrimental to the public.

On September 23, 1999, the Board of Directors of Metropolitan Life Insurance Company adopted a plan of reorganization in accordance with the insurance law. The Company amended the plan of reorganization on November 16, 1999. This amended plan was submitted to the insurance department on November 23, 1999. I've asked the Reporter, who is not with us yet, but we are recording this event, and hopefully the Reporter will transcribe the audio portion from what's being taped in the back, but we will have a Court Stenographer here eventually. We will ask the

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Court Reporter to mark the original plan and its amendment as Exhibit 1. I will also ask the Reporter to mark the Policyholder Information Booklet, Part 1 and 2, and the Balance Information Packet as Exhibit 2.

When MetLife first formed the desire to demutualize, it indicated, as part of its anticipated plan, it intended to have an initial offering of the stock of the holding company which would own the stock of the reorganized insurer, and that would establish a closed block of allocated assets to provide for the continuation of current payable dividends scales.

The Department decided that, as provided for in the insurance law, it would appoint one or more qualified disinterested persons, or institutions, as consultants to advise the Department on matters relating to the re-organization.

Accordingly, the insurance department appointed the following consultants and advisors, The Blackstone Group, as an investment banking consultant, Milliman Robertson as an actuarial consultant and Freid, Frank, Harris, Shriver and Jacobson as legal advisors and Ernst Young as

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an accounting advisor.

At this time, I would like to explain the procedure today. I will first call upon representatives of MetLife, to make a presentation of their plan. At the conclusion of their presentation, I will call on those parties that have requested to speak. We would like to limit testimony to approximately ten minutes each. This is not intended to be an adversarial proceeding.

As I previously mentioned, it is to obtain testimony relevant to the plan. However, if anyone has a question, that they believe should be addressed by this hearing, they may raise it in their presentation.

The hearing record will remain open until February 14, the year 2,000, for receipt of additional comments and responses. After the comment period expires, the statute provides up to 60 days for me to render my decision. If I find that the proposed reorganization, in whole or in part, does not violate the insurance law, is fair and equitable to the policyholders, not detrimental to the public and after the reorganization, MetLife will have an amount of

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capital and surplus deemed reasonably necessary for future solvency, I will approve the plan. If I cannot make these findings, and I disapprove the plan, MetLife will have a right to an administrative hearing on the denial. I would like to call upon Robert Benmosche, CEO of MetLife, to make a presentation as to the plan.

MR. BENMOSCHE: Good morning. My name is Bob Benmosche. I am Chairman of the Board and President and Chief Executive Officer of the Metropolitan Life Insurance Company. I am responsible for directing the management of Met Life and guiding gone MetLife in the development of that plan. I am pleased to appear this morning in support for MetLife's request, that the Superintendent of Insurance of New York approve the demutualization plan that was unanimously adopted by a Board of Directors.

This morning, I will provide an overview of MetLife, outline the reasons why MetLife is pursuing the demutualization and briefly describe the process we used in reaching that conclusion, that demutualization is the right choice for MetLife. I will also review some of

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the ways in which our policyholders of MetLife will benefit substantially from our demutualization plan.

First, I would like to introduce my colleagues, who are seated here with me. First, is Stu Negler, our Vice Chairman and Chief Financial Officer, who is sitting to my right. Gary Beller, who is sitting to his right, is the Senior Executive Vice-President and General

Counsel of MetLife, also here with us this morning. To his right is Joe Realley. Joe Realley is here as Senior Vice-President of Met Life, who has substantial responsibilities in connection with our demutualization project. Next to Joe is Howard Silverstein of Goldman Sachs, one of our financial advisors in connection with the plan. And next to Howard is Jonathan Putstick, of Credit Suisse First Boston, our other financial advisor with the plan. I missed Ken Beck. Ken Beck is the from the firm of Price Waterhouse and Cooper, our actuarial advisors in this process.

After my statement, statements will be made by Mr. Negler, Mr. Beller, Mr. Silverstein and Mr. Beck. My written statement has been filed

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for inclusion in the record of this public hearing. I adopt my written statements, in its entirety, as part of my testimony today.

I would like to start by speaking for a few minutes about MetLife. Throughout our 130-plus year history, MetLife has been a leader. Met Life's success has been based upon our commitment to our policyholders, leadership in our businesses, sound investments, innovative products and services and a commitment to social responsibility. Today, MetLife is the leading provider of insurance and financial products to a broad spectrum of individual and group customers. MetLife provides individual insurance, annuities and investment products to approximately nine million households, or one in every 11 households, in the United States. We also provide group insurance and retirement and savings products and services to approximately 64,000 corporations and other institutions, including 86 of the Fortune 100 largest companies. Our institutional clients have approximately 33 million employees and members. MetLife is the leader in each of our major U.S. businesses. Specifically, when we did our most

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recent comparisons, we were the largest life insurer with approximately $1.7 trillion of life insurance in force. The second largest individual life insurer with $6.1 billion of total statutory premiums. The largest group life insurer with $5.1 billion in total statutory premiums and the second largest group disability insurer, the second largest commercial dental insurer and the largest group long-term care insurer. We also occupy very strong positions in most of our other businesses.

Why then have we decided it is in the best interest of MetLife and our policyholders to demutualize? The answer is that MetLife achieve this position of leadership to a commitment to doing what is best for our policyholders and a dedication to our goal of being a global leader in the financial services industry. We believe that our unparalleled franchises and brand names uniquely positions us to be the preeminent provider of insurer of financial services.

However, we face stiff competition from companies that have the flexibility to raise capital through the equity and debt markets. It is very clear that the ability to operate as a

stock company amounts to a significant advantage when new business opportunities arise and when competing in global markets.

In reaching the decision to demutualize, MetLife's Board of Directors was guided by one overriding concern, the best interest of our policyholders. Converting to a stock life insurance company will enable MetLife to increase its potential for long-term growth and financial strength in ways not available to it as a mutual company. We believe that it will enable MetLife to increase its market leadership, financial strength and strategic position. Demutualization will enhance MetLife's potential to grow and offer the highest quality products and services. With access to the capital markets, we will be able to better enhance our customer service capabilities, develop new products and services and pursue strategic opportunities.

Based on our extensive analysis and consultation with independent financial, actuarial, legal and other advisors, we strongly believe that our demutualization plan is in the best interest of our policyholders, and that it

is fair and equitable to our policyholders.

The unanimous decision by our Board of Directors to adopt our plan was a result of many months of thorough deliberation about MetLife's mission and strategic obstinance. Alternate corporate structures were a very important element of these discussions. Our discussions of alternative structures intensified over the past few years, as we began to focus on structures that would allow MetLife to operate as a stock life insurance company. Our Board formed a special board committee, The Corporate Structure Committee, to assist in these deliberations.

On September 28, 1999, based on careful consideration of various elements of the plan over the preceding months, our Board of Directors unanimously adopted our demutualization plan. Our Directors concluded, among other things, that the plan is in the best interest of MetLife and our policyholders, and that it is fair and equitable to our policyholders. In addition, the Board recommended that our policyholders vote in favor of approving the plan.

My colleagues at the table with me will be reviewing key elements of our plan in their

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testimony this morning. Further details are provided in the plan itself and related materials that are available on our website and have been filed with the insurance department as part of the record of this hearing.

I want to emphasize three points about our plan that illustrates how it substantially benefits our policyholders and it is in their best interest.

The first point is that the compensation that will be distributed under our plan to eligible policyholders in exchange of membership interest will represent 100 percent of the value of MetLife at the time of the demutualization prior to our initial public offering. This represents a distribution to our policyholders of tangible economic value that they would not receive unless we demutualize. In addition, they will be insured by a company with even greater financial strength and potential for long-term growth.

Second, the compensation paid under our plan will be in addition to the coverage of benefits that our policies provide. Demutualization will not affect the validity of

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any policy, benefits, values, guarantees and dividends eligibility will not be reduced and policy premiums will not be increased in any way.

Third, our plan contains important features that provide additional safeguards for our policyholders. Our plan calls for the establishment of a closed block, to ensure that the reasonable dividend expectation of our individual policyholders are met with respect to dividend payment life insurance policies. It also puts in place other protections with regard to non-guaranteed participating policies that will be outside the closed block.

In conclusion, I am proud that a Board of Directors unanimously adopted our demutualization plan. I share their belief that converting to a stock life insurance company is the best course of action for MetLife, that it is in the best interest of our policyholders and that it is fair and equitable to our policyholders.

For the reasons I have described today, and in my written statement, and for the reasons described in other statements submitted on behalf of MetLife, we ask that the plan be approved. I that you and I would like to now turn over the

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floor to Stu Negler.

MR. NEGLER: Good morning. My name is Stuart Negler. I am Vice Chairman of the Board and Chief financial Officer of the Metropolitan Life Insurance Company. I'm pleased to appear this morning to testify in support of MetLife's request that the Superintendent of Insurance of the State of New York approve MetLife's demutualization plan.

In my testimony this morning, I will provide a financial overview of MetLife, speak about our plan's initial public offering and other aspects of the plan that are primarily financial in nature and review key elements of the trust that would be established under the plan.

My written statement has been filed for inclusion in the record of this public hearing. I adopt my written statement in its entirety as part of my testimony today. Let me begin by saying that MetLife is approaching demutualization from a position of financial strength. MetLife is a leading provider of insurance and financial services to a broad spectrum of individual and institutional

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customers. We are one of the largest and best capitalized insurance and financial services companies in the U.S. Our revenues for 1998 were $27.1 billion, and our net income was $1.3 billion. As of September 30, 1999, we had total consolidated assets of $227.2 billion and equity of $13.6 billion. We believe that our unparalleled franchises and brand names uniquely position us to be the preeminent provider of insurance and financial services in the U.S. businesses in which we compete.

If our demutualization plan is approved, once MetLife demutualizes, it will become a stock life insurance company owned by a new holding company called MetLife Incorporated. The holding company will sell shares of its common stock in an initial public offering, or IPO, to be completed on the effective date of the plan. We also -- we may also conduct other capital raise in transactions at the time of the IPO. The types of transactions that we might conduct are summarized in our plan and in my written statement. At this point, we are primarily considering mandatory convertible preferred securities.

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The plan provides that the proceeds raised and all other capital raising transactions may not, in the aggregate, exceed one third of the combined proceeds of the initial public offering and such other capital raise in transactions. In order to establish a public market for the Met Life Incorporated common stock, we intend to list the common stock on the New York Stock Exchange under the proposed symbol MET.

The plan imposes certain requirements and restrictions with regard to the IPO and the other capital raising transactions. All of which are summarized in my written statement.

After demutualization, MetLife will continue to have a level of capital and surplus that demonstrates impressive financial strength and is well in excess of the levels needed to maintain its solvency.

Now I want to discuss briefly some basic aspects of the compensation that will be provided to eligible policyholders under our plan. Further details are provided in my written statement.

Policyholders, who are eligible under our plan, will receive compensation in exchange for

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their policyholder's membership interests. This compensation will represent the entire value of MetLife immediately prior to the IPO. As such, it amounts to a distribution of economic value to our eligible policyholders that would not be available to them if MetLife did not demutualize. The compensation will be in the form either of common stock of the holding company, or cash or additions to policy values, known as policy credits. Any stock distributed as compensation will be placed in the MetLife policyholder trust, which I will describe in a bit more detail in a few minutes. The compensation given under the plan will be in addition to the benefits provided under the policies. Our demutualization will not diminish policy values, benefits, guarantees or dividend eligibility or increased premiums in any way.

Our investment bankers, Credit Suisse First Boston and Goldman Sachs, have each delivered opinions to our Board. These opinions conclude that subject to the terms and conditions set forth in those opinions, the exchange of the aggregate policyholder's membership interests, as defined in the plan, for the forms of

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compensation set forth in the plan is fair, from a financial point of view, to the policyholders who are eligible policyholders taken as a group.

The compensation to each eligible policyholder will consist of a fixed component of ten shares of holding company common stock, plus a variable component. The variable component reflects each participating policyholder's share of the contributions to our surplus from our policyholders over the years, as well as the contributions that the eligible policyholders are projected to make in the future.

Our independent actuarial advisor, Ken Beck of Price Waterhouse Coopers, has delivered an opinion that subject to the terms and conditions set forth in his opinion, the plan for allocating compensation to eligible policyholders is fair and equitable to MetLife policyholders.

Another important feature of our plan is an accounting mechanism known as a closed block. The purpose of setting up a closed block is to insure that the reasonable dividend expectations of policyholders, who own policies included in the closed block, are met. Other policyholder protections have been established for

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non-guaranteed elements of individual participating policies that are outside the closed block. Further details about the closed block, and these other protections, are provided in my written statement and in Ken Beck's statement and opinion.

Now, I want to briefly discuss the MetLife policyholder trust. In preparing our plan, we realize that we face the challenge that no other mutual life insurance company, that has demutualized to date, has faced. We have over 11 million policyholders. If they all became shareholders, we would incur enormous logistical problems and huge costs to service that many shareholders. No other company in America comes even close to having that many shareholders.

One thing we wanted to avoid was forcing all policyholders, who are allocated a relatively small number of shares, to take cash instead of stock in order to reduce our number of shareholders. That approach would have affected millions of our individual policyholders. So, we concluded that a trust would enable us to administer accounts efficiently, and cost effectively, while at the same time serving the

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needs of policyholders who receive stock under our plan. We expect that the cost savings will benefit all of our eligible policyholders through a higher IPO price.

As I said earlier, the trust will hold shares of MetLife Incorporated common stock on behalf of policyholders who receive stock under the plan. Those policyholders will become trust beneficiaries. The trust will be administered by an independent trustee. It is important to bear in mind that policyholders will not be forced into the trust. Any policyholder can elect to receive cash. All cash elections will be honored in full, with the possible exception that our largest institutional customers who elect cash may have to accept some stock held in the trust as well.

The trust includes several features that were established for the benefit and convenience of the trust beneficiaries. We will establish a purchase and sale program, to make it easier for trust beneficiaries to sell or even buy MetLife Incorporated common stock through the trust all on a commission free basis. The purchase and sale program will be administered by an

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independent program agent. Trust beneficiaries will be able to sell the stock held for them in the trust on a commission-free basis starting when the IPO distribution is completed. This should be no more than 30 days after the plan effective date and may be quite a bit sooner.

Partial withdrawals for sale will also be permitted, except for policyholders with interest in the trust representing 199 or fewer shares of common stock. For the first 300 days after the IPO, certain volume limitations may apply to withdrawals for sale for policyholders who own more than 25,000 shares are held in the trust. After the 90-day following the plan effective date, trust beneficiaries will also be able to buy shares free of commissions in order to bring the number of shares held for them in the trust up to 1,000 shares. And starting on the first anniversary of our demutualization, trust beneficiaries will be able to withdraw from the trust and hold the shares directly. Transfers of interest in the trust are permitted to a spouse, or child, or to a charity and in other limited circumstances.

We believe that these arrangements will be

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beneficial and convenient for our policyholders, particularly because many of them may not have brokerage accounts through which to hold stock. By relieving them of the commission costs, we are making it easy for them to hold the shares they have to sell their shares or to buy more through the trust.

One more point I want to make is that trust beneficiaries will be able to instruct the trustee on how to vote the shares held in the trust on fundamental matters affecting the holding company. These matters are described fully in my written statement and include contested board elections.

I would like to emphasize again that Met Life's demutualization will increase its potential for long-term growth and financial strength by enabling it to raise capital more efficiently and to have greater flexibility to pursue business opportunities.

For the reasons I have described today, and in my written statement and for the reasons described in the other statements submitted on behalf of MetLife, I am confident that the plan is in the best interest of MetLife and its

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policyholders, that it is fair and equitable to its policyholders, and that it should be approved. Thank you. I'd like to turn the podium over to our general counsel, Gary Beller.

MR. BELLER: Thank you, Stu. Good morning. My name is Gary A. Beller. I am Senior Executive Vice-President and General Counsel of Metropolitan Life Insurance Company. I am pleased to appear this morning to testify in support of MetLife's request that the superintendent of insurance of the State of New York approve MetLife's demutualization plan. The main purpose of my testimony this morning is to review how MetLife's demutualization plan and related actions taken by MetLife, will have satisfied each an every requirement of the New York insurance law and fully warrant an order by the superintendent approving MetLife's plan. My written statement has been filed for inclusion in the record of this public hearing and I adopt my written statement in its entirety as part of my testimony today.

Under our plan, if MetLife demutualizes, our eligible policyholders will receive 100 percent of the value of MetLife in exchange for

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their existing membership interest in MetLife. Section 7312 of the New York insurance law specifies that eligible policyholders are those people, institutions and other customers who own policies that were enforce on the date of adoption of the plan. In my testimony this morning, I will refer to Section 7312 as the demutualization statute.

Our Board of Directors adopted our demutualization plan on September 28, 1999. In fact, our plan was adopted by a unanimous vote. The Board's adoption of the plan followed many months of careful consideration and evaluation by the Board and by MetLife's management. The Board adopted amendments to the plan on November 3 and November 16, 1999. The plan and amendments have been filed with the superintendents in accordance with the demutualization statute. The next step in the demutualization process is the review of our plan by the superintendent. As required by the demutualization statute, the superintendent is holding this public hearing in connection with his review of the plan. The plan cannot become effective without the superintendents approval. This hearing is also

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expected to satisfy certain requirements of the federal securities laws as explained in my written statement.

The plan also is subject to approval by Met Life's policyholders. The plan cannot become effective unless it receives the affirmative vote of two-thirds of the votes cast by eligible policyholders. If the plan is approved by the superintendent, and our policyholders, and certain other conditions set forth in the plan and the demutualization statute are met, the final step in the demutualization process will be an initial public offering, or IPO, of our holding companies common stock. On the date that our plan becomes effective, which I will refer to as the plan effective date, MetLife will become a wholly owned subsidiary of MetLife, Inc. Met Life, Inc. is a Delaware corporation that we formed to become our publicly-traded holding company once we demutualize. We may also conduct other capital raising transactions at the same time as our IPO as more fully described by our Chief Financial Officer, Stu Negler. MetLife has received opinions from MetLife's financial and actuarial advisors regarding the fairness of

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the compensation payable to eligible policyholders under our plan and other matters. MetLife has also received a tax opinion from the Internal Revenue Service, a No Action Letter, from the securities and exchange commission and a blue sky memorandum regarding certain state securities law matters. These are all required in order for the plan to become effective.

As a further condition to going forward with our plan, our legal actuarial, and financial advisors will have to confirm certain of their opinions as of the plan effective date. The demutualization statute requires that eligible policyholders be mailed a notice of the public hearing and a notice of the policyholder vote. The demutualization statute also requires that the notice be preceded or accompanied by a copy of the plan or a summary approved by the superintendent. Notices satisfy the requirements of the demutualization statute were mailed to eligible policyholders.

The materials included in the mailing packages are reviewed in my written statement. As required by the demutualization statute, those materials were approved for mailing by the

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superintendent. Copies of the materials mailed to policyholders have been filed with the superintendent as part of the record of this proceeding. The mailings were completed by December 21, 1999, within the time frame set by the demutualization statute. In accordance with the demutualization statute, on January 4, of the year 2,000, MetLife also published newspaper notice of the date, time, place and purpose of the hearing. We also posted notice of the hearing on our website, along with the full text of our demutualization plan and all the exhibits and schedules.

On the plan effective date, MetLife will become a New York stock life insurance company and a wholly-owned subsidiary of the holding company. As a stock company, MetLife will be the corporate continuation of MetLife as a mutual company. When we demutualize, all policyholders voting rights and other membership interests in MetLife, as a mutual company, will be extinguished. However, our eligible policyholders will receive compensation under our plan in return for those rights. This compensation represents economic value that was

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previously unavailable to them.

I want to pause here to stress a very important point. While the policyholder's membership rights will be extinguished, as a practical matter, nothing at all will happen to the insurance coverage. Any compensation given under our demutualization plan will be in addition to the benefits provided under the policies. Our demutualization, in general, and perhaps to policyholders under our plan, in particular, will not diminish policy values, benefits, guarantees or dividends eligibility in any way.

I, and my colleagues who are testifying with me today have provided in our written statements further details regarding the manner in which the amount and forms of compensation are being determined, as well as certain tax information.

Officers, directors and employees of Met Life, the holding company, and their affiliates will not receive any special compensation in connection with our demutualization, other than what they may be entitled to receive as eligible policyholders under our plan. In addition, Met

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Life officers and directors, as well as their spouses and other family members, are prohibited from buying stock in MetLife for two years after we demutualize. Although MetLife intends to provide stock options and grants under the stock plans referred to in my written statement, officers, directors and employees may not receive stock options or grants until one year after the demutualization and they may not sell a stock or exercise the stock options until two years after the demutualization.

Paragraph MetLife beliefs that the implementation of stock based compensation plans is entirely appropriate. Our plans are consistent with similar programs adopted by other stock companies. Compensation in the form of stock and stock options is widely accepted as a means of a lining the interests of employees with those of shareholders and that providing employees with an in sense I have for good performance. It is important to bear in mind that our policyholders will remain trust beneficiaries will have a stake in MetLife's performance through their beneficial interest in met livestock. The demutualization statute sets

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forth the requirements that a demutualization plan must meet. In particular, Section 7312-J of the demutualization statute provides that the superintendent shall approve a plan of reorganization if he find that the proposed reorganization, in whole and in part, does not violate the New York insurance law, is fair and equitable to the policyholders and not detrimental to the public and that after giving affect to the re-organization, the reorganized insurer will have an amount of capital and surplus the superintendent deems to be reasonably necessary for its future solvency. Each of these requirements is fully satisfied by the plan.

First, our plan satisfies all the requirements of the New York insurance law. In my written statement, I review, in detail, the ways in which MetLife's plan satisfies each of those requirements.

Today, I want to highlight, briefly, the requirement that I consider to be especially important. The requirement that the plan must be in the best interests of MetLife's policyholders.

The plan serves our policyholders best,

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because becoming a stock company will increase MetLife's potential for long-term growth and for achieving even greater financial strength than it has today. This, in turn, will provide even greater financial security to our policyholders. Demutualization will also provide policyholders with previously unavailable economic value as I have mentioned earlier.

Second, the plan is fair and equitable to our policyholders. Mr. Silverstein will discuss the basis upon which our financial advisors concluded subject to the terms and conditions set forth in their written opinions, that the exchange of the aggregate policyholders membership interests, as defined in the plan, for the forms of compensation set forth in the plan is fair from a financial point of view, to the policyholders who are eligible policyholders taken as a group. Mr. Beck will explain why he concluded, subject to the terms and conditions set forth in his written opinion that the plan for allocating compensation to eligible policyholders is fair and equitable to MetLife policyholders.

As Mr. Beck will also explain, important

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safeguards are incorporated into the plan in order to protect dividends and other non-guaranteed elements of existing policies.

Third, the demutualization will not harm of interest of the public. The public has an interest in maintaining strong and healthy insurance companies. The plan will better position MetLife to serve its policyholders and to remain a leader in helping people become financially secured.

Fourth and finally, the plan will have no adverse effect on MetLife's financial condition. As I mentioned, we expect that the mutualization will make MetLife even stronger financially, so that it can better serve the needs of its policyholders in the future.

For the reasons my colleagues and I have given today, and in our written statements, we are confident that the plan satisfies all applicable legal requirements for approval. Thank you for the opportunity to testify in support of MetLife's demutualization plan this morning. I'd like to now turn the floor over to Howard Silverstein of Goldman Sachs, one of our financial advisors, in connection with the plan.

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MR. SILVERSTEIN: Thank you, Gary. Good morning. My name is Howard Silverstein. I'm a managing director of Goldman Sachs and Company. On my right is John Plutsick, a managing director of Credit Suisse First Boston Corporation. I am speaking today on behalf of both firms. Credit Swiss First Boston and Goldman Sachs have served its financial advisors to Metropolitan Life insurance company in connection with the plan of reorganization, under which MetLife proposes to convert from a mutual life insurance company to a stock life insurance company. Our joint written statement has been filed for inclusion in the record of this public hearing. Mr. Plutsick and I adopt that statement as part of our testimony today.

This morning, I would like to summarize the engagement of our firms by MetLife and the opinions that each of our firms delivered on November 16, 1999. As described in our written statements, our firms are internationally recognized leaders in the investment banking industry. Mr. Plutsick and I, and our respective firms, have each worked on a number of mutual to stock conversions and have extensive

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experience in acting as financial advisors to insurance companies. We also have substantial experience in a broad range of other financial transactions, including public offerings, private placements and mergers and acquisitions. I direct you to our written statement for a detailed description of our qualifications.

We began providing financial advice to Met Life in connection with MetLife's analysis and consideration of various alternatives available to it, including a demutualization pursuant to separate engagement letters that MetLife signed with each of our firms. Under those engagement letters, each firm has provided various financial services, including assisting MetLife in reviewing certain financial aspects of the proposed demutualization -- (Inaudible.)

Under the terms of our firms' respective engagements, each has been offered the opportunity and expects to act as a joint lead managing leader for the initial public offering of common stock of MetLife, Inc., the new holding company and any other capital raising transaction done pursuant to the plan. In a moment, I will discuss both firms anticipated

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role in the conduct of the initial public offering and any other capital raising transactions.

In addition to our role in these transactions, in certain cases, both of our firms may, as principal or agent, assist in the sale of shares under the purchase and sale program established by the plan. Both of our firms have familiarized themselves with the company's business and have reviewed, as more fully described in the opinion letters of each of our firms, the company's consolidated financial statements, as well as other financial information supplied by management. Our firms also have reviewed a number of other documents relating to the company, the plan and the proposed demutualization.

Representatives of each of our firms have held discussions, on numerous occasions, with members of the senior management of the company regarding the operations, financial condition and future prospects of the company, as well as the financial aspects of the plan. We have assumed the accuracy and completeness of the foregoing information for purposes of rendering our

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opinions. Copies of our opinions, which include a complete discussion of the assumptions, limitations and factors considered by our firms have already been filed for inclusion in the record of this public hearing. We were asked to render our opinion as to whether the exchange of the aggregate policyholder's membership interests in MetLife for the forms of consideration set forth in the plan is fair, from a financial point of view, to eligible policyholders taken as a group.

In arriving at our opinions, we've taken into account a number of factors, including, but not limited to, certain views expressed by the company's management including one, growth in the company's business both internally and through acquisitions is necessary for the company to remain an effective, competitive financially secured insurer.

Two, in its present form as a mutual insurer, the company's management believes its growth in financial flexibility might be constrained in the future.

Three, it's of significant strategic external capital to finance this growth and it

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will facility create -- (inaudible). As Mr. Negler previously testified, the plan will -- (inaudible). The plan also permits the holding company to complete other capital raising transactions. The firms intend to conduct the public offering process in a manner -- (inaudible). The broad -- (inaudible). If the company engages in any other capital raising transactions, methods similar to those used in conducting an initial public offering will apply. A summary of the initial public offering process is set forth in our written statement.

Ultimately, the price and number of shares offered in the initial public offering will depend largely on the demand for the common stock from prospective investors. Once the managing underwriters believe, through feedback from the underwriting group and potential investors, that the marketing effort has developed sufficient demand for the initial public offering to proceed, they will make a recommendation as to the price at which demand will be sufficient to affect the sale of all of the shares of common stock to be offered. The offering price will reflect the value that sophisticated investors

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are willing to pay of the stock, following discussions with company management, consultation with research analyst the comparison of the company to comparable companies and other investment alternatives and arms length negotiation. The offering price for the other capital raising transactions will be determined in a similar manner.

The final decision on pricing of the initial public offering, and any other capital raising transactions to be completed on the plan effective date, will be made by a joint pricing committee of the boards of the directors of the company and the holding company. This decision must be ratified by each forum, a majority of the member of the pricing committee will not be employees of the company or the holding company. We expect to confer with representatives of the New York Insurance Department, and its financial advisor, in connection with the initial public offering and any other capital raising transactions. In the event that the company determines to engage in any other capital raising transactions, the plan requires that notice of the material features of any such proposed

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transactions be provided to the superintendent for his review.

Under the plan, the holding company may not proceed with any offering related to any other capital raising transaction without the approval of the superintendent. The plan also requires that the superintendent, and his financial advisor, have the opportunity to monitor the initial public offering and any other capital raising transactions. We expect that they will do so. The final terms of the initial public offering, and any other capital raising transactions, are subject to the superintendent's approval.

Lastly, I would like to briefly summarize the opinions rendered by each of our firms. Each of our firms concluded that, based upon and subject to the assumptions and limitations set forth in the opinion letters of our firms dated November 16, 1999, and based upon market, economic and other conditions as of the date of those letters, and such other matters as our firms deem relevant, as of that date, the exchange of the aggregate policyholder's membership interests in MetLife for shares of

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holding company stock, cash or policy credits in accordance with the plan is fair from a financial point of view to the policyholders who are eligible policyholders taken as a group.

This remains the opinion of our firms today. We expect that our respective firms will confirm their opinions as of the plan effective date. Thank you.

MR. BECK: Good morning. My name is Kenneth Beck. I'm a consulting actuary of Price Waterhouse Coopers, which I will refer to as PWC. PWC has served as MetLife's independent outside actuarial advisor in connection with Met Life's development of its demutualization plan. I am, and have been, the PWC principal responsible for that engagement. I am pleased to appear this morning to testify in support of MetLife's request that the Superintendent of Insurance of the State of New York approve its demutualization plan. My written statement has been filed for inclusion in the record of this public hearing. I adopt by written statement, in its entirety, as part of my testimony here today. My qualifications, and those of my firm, to act as actuarial consultant to MetLife are

fully described in my written statement.

I am a fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. PWC and I have served as consultants and to regulators an others with respect to various demutualization plans, as set forth in my written statement.

In my testimony this morning, I will address certain actuarial aspects of MetLife's demutualization plan. I will also summarize the opinions that I have delivered to MetLife's Board of Directors. During the course of our engagement, I, and other PWC staff acting under my direction, received from MetLife extensive information concerning its past and present financial experience and the characteristics of its policies. This information included expected future cash flows from assets held by MetLife, and MetLife's experience underlying its insurance business. In all cases, we were provided with the information we required. We relied on the accuracy and completeness of the data and assumptions supplied by MetLife and did not independently verify that information. Where possible, however, PWC reviewed the information,

for general reasonableness, and in certain circumstances reconfirmed the data with MetLife.

As detailed in my actuarial opinion and in my written statement, I believe the actuarial aspects relating to the allocation of compensation to eligible policyholders and the closed block, under MetLife's demutualization, are fair and equitable to MetLife's policyholders as required by Section 7312 of the New York Insurance Law. Let me first address the allocation of policyholder compensation under Met

Life's plan.

MetLife's plan calls for compensation to be paid to eligible policyholders, as defined in the plan, in exchange for their membership interests in MetLife. This compensation may be paid in the form of common stock, cash or policy credits. However, regardless of the form of compensation, the allocation is based on the notional allocation of shares of common stock of MetLife incorporated, the holding company under the plan.

The formula for allocating the shares among eligible policyholders consists of two parts, a minimum allocation, or fixed component, and an

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additional allocation or variable component. For the fixed component, every eligible policyholder will be allocated ten shares of MetLife stock. The purpose of the fixed component is to compensate eligible policyholders for certain intangible membership interest, such as voting rights. The size of the fixed component, under MetLife's plan, relative to the total compensation to be distributed to all eligible policyholders is consistent with applicable actuarial literature and with previous demutualizations.

Most of the total compensation, to be distributed to eligible policyholders, will be allocated through the variable component, which represent the allocation of the additional shares based on an actuarial formula. The formula takes into account the estimated past and future contribution to MetLife surplus, if any, of each participating policy and contract owned by each eligible policyholder. The proportion of compensation distributed as the variable component, and the use of past and future contribution to surplus as the basis for allocating the variable component, are consistent

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with current actuarial literature and followed precedent and prior demutualizations, including those in New York.

The method for determining the variable component is detailed in the actuarial contribution memorandum, which is Schedule 5 to the plan.

The second aspect of the demutualization plan that requires actuarial attention is the closed block. As you have already heard this morning, the closed block is an accounting mechanism designed to preserve reasonable policyholder dividends expectations. In Met Life's case, consistent with precedent and prior demutualizations, the closed block generally consists of all classes of United States dollar denominated individual life insurance policies for which MetLife had a dividend scale payable in 1999, together with certain associated riders and benefits. The assets that have been set aside, to establish the closed block, are expected to produce cash flows which, together with anticipating revenue from the closed block business, are reasonably expected to be sufficient to support the closed block business,

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including provisions for payment of claims and certain expenses and taxes and to provide for the continuation of dividends scales payable in 1999, if the experience underlies certain scales continues. Of course, as in the past, dividends payable in the future years may be modified from time to time if the experience changes.

The plan also addresses certain types of individual participating policies and riders that have non-guaranteed elements which will not be in the closed block. MetLife's plan establishes alternative protections for these classes of policies. These protections are described in fuller detail in the plan.

I have delivered a statement of actuarial opinion to MetLife's Board of Directors, a copy of which has been filed with the Superintendent as part of the record of this proceeding.

In summary, subject to the terms and conditions set forth therein, my opinion was essentially as follows: One, that the plan for allocating compensation to eligible policyholders is fair and equitable to MetLife policyholders. Two, that the plan makes appropriate provisions with regard to the objective funding and

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operations of the closed block, as well as providing a vehicle to make appropriate adjustments to future policy dividends if the underlying experience changes. That continues to be my opinion today. Thank you for the opportunity to present my testimony this morning.

MR. BENMOSCHE: That concludes our presentations this morning on behalf of Met Life.

SUPERINTENDENT LEVIN: I appreciate it. I have a couple of questions that I'd like to ask. I don't know if any of the other panelists or anybody else has questions, but let me start by asking Mr. Benmosche a question.

What impact, if any, does the enactment of the Blighly bill have on your rationale for needing to demutualize?

MR. BENMOSCHE: We believe that this creates a whole series of unchartered waters for our company, if you deal with financial services reform in this country. Therefore, we do know if we maintained a corporate structure of a mutual insurance company, that would preclude us from strategic options down the road. We want to make sure we have a corporate structure that

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gives us the latitude and the flexibility to be able to compete in this new arena.

SUPERINTENDENT LEVIN: Thank you. Mr. Silverstein, with regard to the creation of the trust, if you could just focus a little more with regard to what impact the trust will have on the IPO price, and on secondary market trading and what would the market impact have been if all 11 million policyholders had simply received an initial distribution.

MR. SILVERSTEIN: I think it would be the view of the investment bankers that the trust will be beneficial to the initial public offering price. As Mr. Benmosche mentioned, the trust will create substantial savings for the company, and that will be reflected in higher earnings for the company which should be reflected in a higher initial public offering price.

Secondly, with respect to the secondary market trading, we believe the trust will be beneficial. There will be millions of policyholders that will receive shares through the trust provides a very efficient and orderly mechanism for those shares if, and when, the

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policyholders decide to sell to be sold in an orderly market and that will give investors in the IPO the comfort that the policyholders shares as they are sold will be sold in a manner that is not disruptive to the secondary trading, so it will be favorable to the secondary markets for the company's stock.

SUPERINTENDENT LEVIN: Thank you. Mr. Benmosche, when you expect to complete your IPO?

MR. BENMOSCHE: We would expect to be prepared to go public by the end of March.

SUPERINTENDENT LEVIN: Thank you. One last question.

I could direct this to you, or you could redirect the question. The plan does not include subscription rights. What was the thinking behind that?

MR. BENMOSCHE: We felt very strongly that we are going to be giving 100 percent of the value of this company to our policyholders. What we did not want, what we did not want, was to have people speculating in buying insurance not for financial need set forth by their own financial plan, but to speculate in the hopes of getting stock for the company. We just wanted to make sure it was there for policyholders that

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bought insurance policies for their needs.

SUPERINTENDENT LEVIN: Let me follow-up on with Mr. Silverstein on that point. What impact, if any, would the inclusion of subscription rights on the joint strategy between Goldman Sachs and credit Swiss First Boston, would the inclusion of subscription rights have made any difference there?

MR. SILVERSTEIN: I think it was our joint view that having subscription rights could adversely affect the offering. There are a huge number of policyholders and it would be extremely expensive to undertake a subscription rights for that number of policyholders. It would add a deal of complexity on the initial public offering, and also cause a delay of at least several weeks in the timing for the subscription offering, so that we believe the subscription rights plan would adversely effect the initial public offering.

SUPERINTENDENT LEVIN: Thank you. I may have said that was my final question, but I have one more final question. You have a large number of policyholders for whom you do not have addresses. What efforts are you making with

regard to identifying where your policyholders are?

MR. BENMOSCHE: Before I turn it over to our Chief Financial Officer, I wanted to comment for the past ten years or so the company has put in an enormous evident to find policyholders on old industrial policies. We've had some success there. In fact, one has to keep in mind that many of our policyholders were policyholders before social security was created. Therefore, something as simple as a social security number did not exist when policyholders became policyholders of the Metropolitan Insurance Company. Let me turn it over to Mr. Negler.

MR. NEGLER: As Bob said, we have been making extensive efforts for long periods of time to find our policyholders. In addition, with the demutualization we have made some special efforts. We advertised looking for lost policyholders. In cases where we knew that addresses might be lost, we made preliminary mailings in order to try to locate policyholders. We continue to make those efforts. Any documents returned by the post office as not deliverable we are making efforts

to follow-up. Certain states have offered to help us in this process, and we have gladly turned over our list to them in order to gain any assistance we can and we continue to do everything we possibly can to find the lost policyholders.

SUPERINTENDENT LEVIN: Thank you. Let me also just interrupt the proceedings here for a second just to share with everybody who is in attendance here that we are taping the hearing today to make certain for policyholders and other interested parties who are unable to be here today that a videotape will be available via the Department's website, possibly the Company as well, but that we will hopefully have people be able to access this on the Department's website.

Having said that, my note at some point we need to change the tape.

Are we up to that yet? How many minutes many minutes do you need to change the tape?

If I could see your hand from here, I wouldn't need glasses. We will just pause for a second while we change the tape. Thank you.

(Pause)

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SUPERINTENDENT LEVIN: The first speaker is a Mr. Richard Sapula (phonetic). Is Mr. Sapula here? Okay. Moving right along. The second speaker is David Silverstein. Is Mr. Silverstein here? Thank you, Mr. Silverstein. Okay. The third speaker is a Miss Delores Aquar (phonetic). The fourth speaker is a Mr. Leonard Sanders. Is this the right speaker list? The fifth speaker is a Miss Marjorie McDunna. The first speaker that is here is going to win the home version of the demutualization game.

The sixth speaker is a Mr. Raymond Laird. The seventh speaker, perhaps more than a mere coincidence, a Miss Dorothy Laird. Number eight is Richard Sabo. For Number 9, we have a Mr. Richard Norton.

MR. NORTON: I am speaking on behalf of both myself and my father. My name is Richard Norton. I think that life insurance companies have been too long neglected by historians and the vital role they play in society. I think that most economists have failed to understand the functions that life insurance companies have played through American history, and especially

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in their functions of reducing inflation, by encouraging personal savings and increasing employment through the investment of capital accumulations. Hopefully, some economists will finally come to understand that these institutions, and I look forward to that day. This lack of insight may have led us to this meeting today.

While other mutual life insurance companies started much earlier than Metropolitan Life providing peace of mind for families, Metropolitan Life achieved its great size by selling industrial policies and working people seeking freedom. However, it became obvious to some, in the early 1970s, that life insurance companies, and MetLife in particular, had a major problem. Their open market for the idea of life insurance, that it traditionally sold, was coming to an end. In fact, this includes competition from other kinds of personal investments, more two-income families and the rise of Government social programs reducing the value of life insurance. Some people began to think that this company could do much better, much better, of instead of separating the institution from the

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interest of the policyholders, and exercising only its marketing, it should market the entire company. This meant encouraging people to look at Met's capital investments, and how they affect the environment. And, actually, to encourage to improve the value of the life insurance policy to actually encourage their policyholders to vote. I know that's a radical thought, but that's the reality.

The creation, in 1971, of the Clearing House on corporate social responsibility was a step in that direction. Previous CEOs of MetLife, such as Hailey Fitz, and Eckerd believed coming to be not only a marketing, but a social institution as well. Fitz said, in 1917, "The Metropolitan is not primarily an insurance company, it's a public institution. It should consider it is a guardian of the health and welfare of the people of the United States and of Canada." See Mark E. James, "The Metropolitan Life" 1947.

From the early 1970s to now, those who inherited responsibility for a great institution have decided to ignore its history, which has led to at least five major decisions destructive

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of the institution. I'm now going to list these five decisions.

Number one, the decentralization of the work force out of New York City to some 12 suburban areas in 1972. They said they were doing this to become closer to the policyholders. Actually, this removed most service functions out of local community sales offices into these new service centers. What was once a proud home office is now three quarters leased out. One Madison Avenue is not even listed in the telephone book.

Number 2, management entry into other forms of insurance, such as property and casualty, in 1972, and non-insurance products, such as mutual funds. This prompted Roger Kenney, the then editor of United States Investor to say, "Self-perpetuating in the mutual life insurance consisting of top officers and directors are leading their companies away from the true mutual concept." Mr. Kenney urged strong legislature and regulatory restriction before he said, "The empire building race now being witnessed gets entirely out of hand and the policyholder's interest

becomes submerged in the murky waters of giant conglomerates." Mr. Kenney, I don't know if you are in this room today, but I think you were right.

I must note that it was this that led Met to solve its marketing scandals, such as the sale of limited partnerships, and safe investments. I must also note that surpluses are to be returned to the policyholders.

Number 3, Metropolitan's abandonment of a low-end market to seek new markets in the higher income brackets, but how are they to gain the expertise to compete with companies? What about are the millions upon millions of Americans who no longer believed in life insurance? The social dilemma and recent protests in Seattle against the WTO may indicate that seeking foreign markets will be a rocky road.

Number 4, a continuing de-emphasis of their investment functions so vital to the growth and development of this country and Canada. They sold Peter Cooper Village and tried to sell Stuyvesant town only to be stopped by a tenant protest.

The CEO at that time, Richard Shin,

defended Met's support of suburban sprawl, at the expense of the city, believing that the buyer's insurance are moving there. I have a copy of that.

Number 5, Metropolitan's decision to demutualize. Perhaps present management can defend these five decisions, but do you not see that a policyholder's believe they have some say in the operation of this company, this social institution. Through their vote, these decisions, decentralization, diversification, denial of market share, divestment of social assets and demutualization would not have been approved. What price can you put on this right to vote? It's important to the future of this company.

Before I may say something I might regret, I will close my comments by quoting my own father. This is found in the Life and Health Insurance Handbook in 1964 and other years. "In the competitive race to sell insurance, the policyholder was often forgotten. The earlier emphasis upon life insurance, with unlimited liberated possibilities, was largely overlooked. Instead, many of the life insurance practitioners

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came to look upon the business chiefly as a means of accumulating power and prestige. With this philosophy, sound business practices were frequently forgotten. Public disclosure caused in the 1870s took to take a look at the business. The cause of what they saw through business alarmingly. Before long, company after company began to fail."

My father and I have not always agreed, but we do now. We ask that you stop this demutualization plan. Thank you.

SUPERINTENDENT LEVIN: Thank you, Mr. Norton. The next speaker is Ralph Kabrinik.

MR. KABRINIK: My name is Ralph Kabrinik. I represent myself as an individual policyholder. I have listened to the presentations of the Met staff here, and they keep referring to how fair and equitable they are going to be to their policyholders. Well, in my anecdotal experience, that has not been the case at all. I would like to caution the New York State Department on Insurance to be careful about allowing a company to switch from a mutual company to where they have, in my judgment, failed to satisfy their obligations to

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a stock company where they will have even less opportunity for supervision.

I purchased New England Life Insurance Double Life for myself and my wife in 1989, and was given a quote, vanishing premium illustration, that was $8,000 a year for nine years, and then I would not have to pay anything. Well, as time went on, it went from nine years to 19 years with no end in sight. Now, our economy may not have been perfect for insurance companies, but they could not possibly have been that bad.

Also, over a 30-year period, my $500,000 death benefit was going up to $730,000. Now, it was going to never be above $500,000. So, it was a travesty. I spoke -- wrote, at length, to New England Life, including Mr. Shafto, their CEO and president, and I just got, in its most graphic terms, gobbledygook from them.

Finally, MetLife buys out New England. I wrote to Mr. Kaymen, who was the President of MetLife at the time, and received -- I didn't received gobbledygook. There was nothing. There was no response. It is inconceivable that the American economy was so devastated that premiums

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would be changed to such a dramatic degree and what I had been promised, and I'm not naive, I know these were not guarantees, but there are limits to what you don't guarantee. This basically is my complaint. I don't see MetLife satisfying their policyholders now as a mutual company. They will certainly not guarantee it in the future as a stock company.

I urge the New York State Commission to be very careful about allowing this company to switch its obligations. I am also -- I believe, although I am not a party to class action thus far, but I suspect I ultimately will be with regard to this vanishing premium travesty that New England Life, and my now extension Metropolitan Life, is responsible for.

I bought insurance because I wanted insurance. I have brokerage accounts and I have CDs. If I want to invest in other investments, I do so on my own. I don't need MetLife to become a stock company to invest for me. That is my business. I went into an insurance company, and I want them to remain an insurance company and nothing else.

Serendipitously, I imagine many in this

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room have seen the New York Times, which dealt with exactly the issue we are talking about now, and it dealt with it at length. You are all welcome to review it, if you haven't thus far, but the bottom line is two conclusions, as I see it, from this article.

Number one, there is absolutely no guarantee, in fact, there is a real concern that MetLife will proceed to the benefits as a stock company as compared to itself as a mutual company. There is really no guarantee. Perhaps, not even an indication that this company is going to be satisfied, or improved, financially by making the switch.

Number 2, the bottom line is that these gentlemen say they are going to have to wait all of a year, or two, to get their stock options, but that's really what it amounts to. The executives are going to be guaranteed a significant stock option windfall where there is no guarantee, at all, that the policyholders are going to receive anything.

Again, I please caution you not allow this travesty to occur, unless you are absolutely sure that we are not going to run into a bigger mess

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than we are now. Thank you.

SUPERINTENDENT LEVIN: Thank you.

Mr. Kabrinik or Mr. Norton, if you would like to include text --

MR. KABRINIK: I'm sorry?

SUPERINTENDENT LEVIN: If either yourself, or the previous speaker, prepared text that you would like included into the record, you can give us to our counsel.

MR. KABRINIK: I don't have one, but we can prepare one from your tape. Thank you.

SUPERINTENDENT LEVIN: Thank you. The next speaker is Mr. V.J. Shah.

MR. SHAH: Good afternoon, Mr. Levin, Mr. Benmosche and others. My name is V.J. Shah. I have a Bachelor's Degree from Sloan School of Management and a Master's Degree from Sloan. I am a CLU, CHC, a member of the ALU and a life member of the million dollar round table. I want to commend you, Mr. Levin, for running a great insurance department. Also, I want to commend Metropolitan Life, because I've done business with them, and they've been a great value to my clients. I appreciate that.

Besides being in the insurance business, I

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own my own stock brokerage company. I started with $5,000 in 1969. The net worth of the company, which is public information, is $1 million, and this is a great American dream which has come true for me. I believe that opportunities, which have been made available to me, should be extended to other people. That is my purpose of making comments.

I think the demutualization plan is a good one. I think the fact that the mutual holding company was not approved, and it was a good decision. Under pressure, a lot of the companies have caved in.

One of the concerns that I do have is that no subscription rights are given to the policyholders. I know that Goldman Sachs and underwriters have been involved in situations where subscription rights have been given. I don't think it's that expensive, considering the fact that the benefit people who would participate in the IPO, at the original offering price, is quite substantial. The fact that they are using the argument that you could raise back is eliminate by putting a time limit for subscription rights.

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I think what's going to happen, let's assume the company goes public for $10 million and the opening price is $12 million. $2 billion is going to new investors in their pocket. I think it's nice for the people who bought policies to be able to participate in that gain, if they want to. I am a sophisticated investor. I have gone to quite a few companies and bought small policies, so I could participate in it. I want other Americans to be able to participate, or policyholders. The mutual companies have made statement to the public that the company is for the benefit of the people. I feel by not getting subscription rights you are taking something valuable away. I just want the public to be aware perhaps it's not too late for you, sir, to change the conditions for Metropolitan Life and make subscription rights available.

Mr. Friedman, who is the attorney for Metropolitan Life, is very nice. He indicated to me that the cost of subscription rights is quite substantial. He indicated to me, but he would not confirm in writing to me, that the subscriber's costs might be maybe $60 million or something like that.

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Sir, if there is $2 billion of profit made by institutional investors is $60 million really a big cost for policyholders? That's all I have to say. Thank you.

SUPERINTENDENT LEVIN: Thank you.

Our next speaker is Mr. Lance Gad.

MR. GAD: Good morning. My name is Lance Gad. I've been a policyholder of Metropolitan for nearly my entire life. I'm 54-years old, and have five policies. I am most familiar with Metropolitan since my father was employed by Met from 1948 until his death in 1982. I've been -- I am presently a member of the New York Bar, a former investment banker, and present investment professional. In addition to my college degree, I hold three graduate degrees, including an M.B.A. in Finance, a Doctor of Law from Cornell University, as well as Master of Laws in taxation from New York University's Graduate School of Law.

I had specialized in analyzing and investing in demutualizations of financial institutions, and am considered a recognized expert from both legal and financial viewpoints. I do not believe the plan of Metropolitan is

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quote fair and equitable, to the policyholders. I have the professional expertise to express this with a good degree of certainty.

The major fault of the Met plan is its failure to offer policyholders the right to buy stock at the IPO price. Instead, Met has proposed to have Goldman Sachs underwrite the offering. This will insure that virtually no Met shareholders will be allowed to purchase stock on the IPO. The IPO of Money is a good example. The IPO was virtually impossible for any policyholder, who was not a huge producer of commissions for Goldman Sachs, to obtain shares at the $23.50 offering price. Policyholders had to offer them to Goldman's best customers in the after market at prices which approximated 25 percent more. The stock traded almost as high as $30.00 initially. Goldman Sachs is perhaps the most arrogant and difficult underwriter for anyone, other than huge investors, largely institutions generating huge commissions for Goldman to buy shares from. Even a colleague of mine, who managed $200 million of assets, could not receive an allocation of Money shares, since he was told he did not pay enough in commissions

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to Goldman. Goldman would not, of course, sell me shares.

The right to buy Met shares at the IPO price first belongs to the policyholders of Met, not to the best customers who pay the most in commissions to Goldman Sachs or Credit Suisse First Boston. Without department intervention, Goldman will not sell shares to me, even though I, and other Met policyholders, should have a right of first purchase. Policyholders cannot even receive shares which are going to be distributed to them under the plan. They are to be held in trust for one year. Although IPO purchasers can sell right away upon initial trading, policyholders must wait one to two days, an eternity in stock trading, to sell shares. The trust will supposedly purchase shares for policyholders, but only if they have less than 1,000 shares, and not until 90 days after the IPO date and can take one to two days to accomplish this. Met's trust plan, with no subscription rights, is expedient, but not fair and equitable to the policyholders as required by the law. Fairness and equity is required. It cannot be eliminated by what is quick and expedient.

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Even John Hancock, in its demutualization in Massachusetts, proposed to give policyholders electing cash the result of up to a 20 percent pop in the IPO price. Nothing like that is being done here. Any pop in the IPO price will go to the best customers of Goldman Sachs and Credit Swiss First Boston.

I urge my fellow policyholders to vote no for the plan as presently structured. It may only be fair to large institutional policyholders, who have a relationship with Goldman Sachs or Credit Suisse First Boston, wherein they paid the required large amount of commissions to receive stock allocations.

Met will no doubt argue that with over ten million policyholders, it's not practical to give subscription rights. I don't think this is the case. In the 21st Century, this is absolutely not true, with the computers that we have and clearly some mechanism to allow policyholders, who desire shares at the IPO price, can be established. The fact that it would take a few more weeks is inconsequential. What's being done here is the entire membership interest, the ownership of Metropolitan Life, is

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being taken away from the policyholders in exchange for cash, policy credits or stock. That's all well and good, and we've heard today that this is the only way for them to get money, but that's not quite true.

Under the law, if Met were liquidated today, and the business sold, I'm certain that it would bring a higher price than the actuaries are going to come up with, because there would be a takeover premium and that could be transferred to policyholders. So, we are given up our membership interest, yet we have not right to buy shares in the IPO.

The policyholders are the owners of the company, and they must be given this right. Is it fair and equitable to transfer this absolute right to the best customers of Goldman Sachs without consideration, indeed with the payment of an underwriting commission that would not have to be paid on shares purchased by policyholders. The plan is also not fair and equitable to policyholders having more than one policy.

As I understand the testimony today, although some of the written documentation is

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somewhat conflicting, ten shares per holder, not per policy, will be given. Suppose someone is very frugal and decided to take out a small insurance policy every year and has multiple policies, for myself, I have five, you would just get on 10 share allocation.

The New York Times article, which appeared Sunday, basically was a very good article that stressed that one of the real reasons for doing this is to give management options. Management will get those options without cost. That's the way things work. They are entitled to it, if they do a good job running the company. But, to have a plan which gives no right for policyholders to subscribe for stock on the IPO, even if they are willing to pay for it for cost, and at the same time give management options without cost, is not fair and equitable. Thank you.

SUPERINTENDENT LEVIN: Thank you. Next is Mr. Paul Benton Weeks, the III. Mr. Weeks, you are here on behalf of several policyholders?

MR. WEEKS: Yes. Superintendent Levin, I am here on behalf of three policyholders.

Actually, I represent, in the aggregate,
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policyholders who have almost $100 million in policies. But, with this company, I represent three policyholders, Lawrence Mueller and Randy and Deena Fisher.

I am an attorney, and I came all the way from Springfield, Missouri yesterday to speak about a subject that Mr. Gad has just spoken about. I haven't had the opportunity or the pleasure to meet with him, but one of the main things I want to discuss today is the fact that it's been, I think, ignored, somewhat, the important point that the policyholders are the owners of this company. Mutual insurance companies are, in every sense of the word, an association. Ironically, a lot of the mutuals started back in the mid part of the 19th Century when they came over here from France to explore what the magic was to this great American experiment, our democracy. They found the secret to the magic was the Americans have this wonderful tendency to identify common problems and form associations to meet those problems. That's exactly what a mutual insurance company is, it's an association that was formed by these policyholders to provide insurance at cost.
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I've heard today, from some of the speakers, "We need to compete more effectively with stock companies." I find it hard to imagine that if an insurance company is there to provide insurance at cost that they find it hard to compete with companies that have to sell insurance not only at cost, but to make a profit for shareholders.

Back to the main issue that I want to discuss, in about 20 years of practicing law, I've never seen an area of the law that is so misunderstood, and that is association law. It's generally not taught in the law schools. Associations are owned by their members, and Met Life is an association, it's in the incorporated form, but it's an association owned by its members. I've seen some of the literature, over the last several years, on mutuals and it seems like the ownership, the policyholders' ownership, has been tribulized. There have been articles stating, "The policyholders are technically the owners of the company." They are owners in every sense of the word.

When we come to the topic today of demutualization, I think it's important for the
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panel to understand that behind that word really what we are looking at here is, as Mr. Gad correctly noted, a proposed sale of the company,

of MetLife, a proposed sale of the company by the policyholders, the owners. They are being asked, in this plan, to sell their company. That's one of the objections that we have, that is not plainly laid out in front of the policyholders in the material. It's sort -- it's obscure. It's oblique. It's, "Well, we are proud to present this plan where we are going to change to a stock company, and in order to do that, the law requires that we liquidate your membership interests." That's so ambiguous to policyholders. They ought to be told, "You own this company. No one else but you."

Number two, they ought to be told -- this fancy word, "Demutualization," that I can hardly spell, really proposes that, "We are going to buy this company from you." Now, when those things are understood, and I don't think anybody here will argue with the assertions that I'm making here, they are basic assertions and there is some provision or something said in the pamphlets, "That ownership will be transferred."

That's correct. It will be transferred from the policyholders. They are going to be bought out.

The next question is this: If you own property, or if you own a company or anything, what value should you get for it? The answer, I submit, is you should get the best price you can get for it. I think it's so timely yesterday, the article that we see in the New York Times, talks about how with the climate that we have today, and Congress and tearing down the walls between insurance and banks, you are going to see a lot of activity. You are going to see a lot of acquisitions. My question is: If the policyholders are being asked to sell their company, why don't we put it up for market today? They are selling their company, and they are entitled to get maximum value for that sale.

Now, I didn't bring it with me today, but as soon as I get home I will send back for the record. I note it doesn't close until February 14th. I will send one of the things I would like to have included in the record was a material from a legal seminar of mergers and acquisitions in the insurance industry. It was chaired by one of the attorneys that was working

with one of the demutualization efforts of John Hancock and MetLife. This merger and acquisition seminar says right in the material, "It's common understanding that in order to maximize the value of an insurance company, when it's put up for sale, you put it up for auction." That's what these policyholders, who own this company today, are entitled to. If they are going to sell their ownership, they are entitled today to have a for sale sign put in front of MetLife and let the bids begin. I'll include it in the panel's record, the New York Times article. There is going to be a lot of acquisitions and they are going to take place as soon as these anti-takeover provisions lapse. I want to talk about that for a minute as well.

The problem with this plan is, it's structurally created to suppress the value that's actually given to the policyholders. Several of the speakers today have said, and emphasized, "One hundred percent of the value of the company will be given to the policyholders." That's not, in practical sense, true. The reason is this: Anti-takeover provisions suppress the value. It suppresses the value of the company.

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I'll give you an example. Today, and I've yet to find anyone that has given an appraisal, including Goldman Sachs, no one has given an appraisal of what is MetLife worth. Companies value other companies all the time for purposes of acquisitions and sale.

Now, in the case of John Hancock, I'll give you that example, industry analysts estimate that Hancock is worth about $14 billion. But, in the demutualization plan out there, the policyholders are going to get $6 billion to $8 billion. That's the rub. The rub is that they are going to sell their ownership in John Hancock for $6 billion or $8 billion when, in fact, if Hancock was put on the market, and all of these conglomerates, banks and insurance companies, came into the bid, they would get $14 billion or $15 billion. In a sense, that group of policyholders are being deprived of that value. It's called control premium, a good will, going concern and that sort of thing, but that's a lot of money when you think about it.

I want the panel and everyone here to think of something else as well. I agree with Mr. Gad that people who run these kinds of enormous

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companies deserve to be compensated well. What's going to happen is this: After one year, management here will be entitled to grant themselves stock options in grants and that will be substantial. Then, another three to five years will go by, and the anti-takeover provisions will lapse and MetLife will be put into play. At that point in time, you will have an auction process. The company will be put up and fair market value will be obtained at that point. But, it will be obtained with management owning the company, with Wall Street owning the company and I agree with Mr. Gad one of the reasons why even companies that do $200 million in business with Goldman Sachs one of the reasons they can't get in on the IPO is because sophisticated buyers of this stock, investors, understand and, in fact, Merrill Lynch has a memo that I found that's called, "Shooting fish in a rain barrel." They did an analysis of demutualization, and they noted that consistently insurance companies that have demutualized have experienced under valuation. The reason again is obvious, because of the anti-takeover provision. That provision, at the risk of repeating myself,

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that's the problem here. The policyholders probably have a company, MetLife, and we have not one, including Goldman Sachs, that will give us a valuation of what MetLife is worth, but these policyholders have a company that's worth $15 billion, or $20 billion or $25 billion. We don't know, because the bid and the auction is not going to take place under this plan. That's what the policyholders are entitled to, and this plan is structured so they won't get that. The plan is structured so management and Wall Street will effectively get to buy the company out from the policyholders on the cheap, and then when management, and Wall Street and sophisticated investors buy this stock at a suppressed value, in three to five years, you are going to see the value of this thing go way up.

I want to go to another subject. There are two basic issues in demutualization, in terms of compensation to the policyholders. Number one, the aggregate compensation, and that is the total size of the pie, which I've just discussed. I think the total size of the pie should be determined by an auction process. Put the company up for sale. The ownership is in play,

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and put it up for sale and let the policyholders reap the maximum value.

The second issue is this: Once the aggregate compensation is determined, the superintendent and staff must analyze the allocation of that compensation among different policyholders in MetLife. The problem we have there, and I think it's unique, because I think it's the only demutualization plan so far that has not revealed, or disclosed, the allocation between different kinds of policyholders, for instance, individual and group. I find it hard -- difficult for anyone, in that kind of a position of policyholders, to vote on this plan or for this superintendent to approve it until we determine, and I've asked Mr. Tierney to speak on the issue of the allocation among different policyholders, because what we found is, in the John Hancock demutualization, for example, it appears that with the historic plus formula, it's allowed for an actuarial leeway to load more compensation on the group policyholders, the more powerful groups in policyholders, which could, in some ways, be construed to be a way to sort of buy off any

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potent opposition of the demutualization plan. I'll ask Mr. Tierney to speak on that.

That is essentially the rub we have here. They are being denied the opportunity to put their company up for sale today and to obtain full, fair market value for the sale of their ownership of this company. Thank you.

SUPERINTENDENT LEVIN: If you have any written material that you would like to include in the record, perhaps you can get Joan Siegel's address before you leave today.

MR. WEEKS: Thank you.

SUPERINTENDENT LEVIN: Next is Mr. Tierney.

MR. TIERNEY: Thank you, Mr. Chairman. My name is Tom Tierney. I'm a consulting actuary working out of the Boston area. I've been asked to speak today on behalf of policyholder Larry Mueller. I'm speaking in coordination with Mr. Mueller's attorney, who just spoke, Mr. Weeks.

By way of qualification, I am a fellow actuarial. I meet the academy qualification, et cetera, et cetera, for rendering opinions. I'm qualified under Section 95.5D of the New York 126. I serve as an appointed actuary, although

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the company that I work for has no connection with today's affairs. I also practice extensively in the area of what's call actuarial forensics. Translated into English, that means I value transactional in translating from the English to the man on the street. I compute damages if somebody is in a transaction, and they feel they've been damaged, they will hire me or an economist to calculate the damages.

I have reviewed the plan. I find four problems therewith that I want to mention, and I'm going to talk briefly about the subject of damages related to those four plans thereafter.

The first problem that I see with this plan, and this what Mr. Weeks said he asked me to comment on, concerns with the methodology for allocating for the total pie amongst the policyholders. That is done using something called the historic plus methodology. That is a methodology that came out of New York in 1987, to a task force that was put together to handle a domestic company that was either in or approaching technical insolvency, and it was a methodology whereby the allocation of ownership would be determined by looking at the people who

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were coming into bail out the company, vis-a-vis what you would look at in a going concern. That's the people who built up the value in company.

In essence, what I would claim is that when you are dealing with a solvent company, what you want to do is use what's called a historic only methodology. When you are dealing with an insolvent company, what you want to do is look at prospective contributions, namely the historic plus methodology, because it's those future people that are coming in that are actually providing, you know, the genuine contribution that you should be translatable and distributable net worth.

Mr. Beck, in his testimony, mentioned that historic plus was a recognized actuarial method. That is true. However, it is not universally recognized. It's being challenged in court and I'm part of the court challenge. There are a lot of actuaries testifying against it. When you are considering the methodology do not put the historic plus in the generally-accepted category.

My recommendation in this area would be that you switch the methodology to historic only. That would be consistent with all prior

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law before the '87 task force report. It would be consistent with what Mr. Weeks has said was the nature of distribution of cooperative ownership, which is basically you receive a distribution upon liquidation, or conversion, that's proportional to what you contributed. To have a situation where distribution is made upon speculation about what somebody will be contributing in the future, just flies in the face according to the law what is good law. We know that under Section 4 of 7312 it's not required, so I would urge you to reconsider that.

The second thing I want to address is the methodology under the closed block. The closed block, as has been said, is a methodology to preserve dividend entitlements. Here, we've got a number of problems. Closed block, more and more actuaries are coming to believe, just don't work. In this case, we've got three problems. To look how closed block works, one has to look at how dividends computed, and I'll try not to get too difficult. If you look how dividends are computed given in a refund of premium, you have to look at how a premium is computed --

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SUPERINTENDENT LEVIN: Can I just I interrupt you for a moment? Gentlemen in the back, your previous speaker, Mr. Weeks, could you guys take it out in the hall, please? It's very distracting.

MR. TIERNEY: Let's look at a typical life insurance premium. Let's say it's $1,000. Perhaps, two hundred dollars of that is dedicated to pay for expenses. Maybe 700.00 of that insurance premium is an investment portion. That is the amount of the premium when combined and assumed rate of interest of four percent, let's say, will produce a cash value at the end of the year sufficient to meet the contractual requirement for the cash value both for that year.

Finally, the third portion is $100.00, in our example, that one-year term insurance premium is an amount of insurance that buys one-year term insurance equal to the difference between the face amount and the cash value on land. Basically, when someone dies, they get a benefit equal to the face amount. Actuarially, what happens is, they get a surrender of their cash value, plus they get a one-year term insurance benefit equal to the difference between the face and cash value.

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With that very simplistic explanation, and I hope I'm not being too complicated, we have three very severe problems here. Number one has to do with the preservation of contractual rights to receive dividends. Mr. Mueller, my client, has has an agreement, a contractual right, to receive his insurance at cost. He has a right to receive the refund of any portion of that premium, which is not needed in order to cover his legitimate operational needs of the policy.

In particular, let's say his $200.00 premium, which a portion of that premium is designated to take care of the expenses, and maybe they amount to $100.00, Mr. Mueller is contractually entitled to receive a dividend of $100.00, because that represents the difference between what he paid and what the actual cost was. That contractual right to receive dividend expense portion of his dividends at cost is being denied to him, because Metropolitan, from the date of inception of the plan, will not be giving any dividends based upon expenses. They are saying, "We are going to charge you a flat expense and any gains or losses beyond that we are not going to give back to you."

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Secondly, there is a problem with the investment portion of the dividend. Basically, as I said in the example we used, we have a cash value on deposit, and you get a $700.00 premium added to that, and that is designed to grow say four percent and that four percent is required in conjunction with what's under cause to produce the cash value at the end of the year. If, per chance, instead of earning four percent, you earn eight percent, Mr. Mueller has an entitlement to receive one half of that investment income as a dividend credit, because he has a contractual right to receive the general account rate applied to what the contract requires.

That is not going to happen because no more hereafter he is going to get an investment experience that's attributable to the closed block assets. The expected return from closed block assets is going to be less on expectation than what he would get if it were in the general account and that's because of the nature of way closed block investments work. There is an inherent conflict of interest that management of the company has when it comes to managing a

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closed block. There is no upside incentive for an investment manager to achieve a rate comparable to what would have been earned in the general account, simply because any upside gains will go to the closed block. There is a strong incentive to manage the account conservatively, to produce a rate of return that is quite less than you would get in the general account, because you want to save yourself from any downside losses. Even though management doesn't get the upside swing as a return, they will suffer from the downside. There is an inherent operating bias from the managers of the closed blocks which is going to be less than the general account. That diminishment is a violation Mr. Mueller would claim of his contractual rights.

Finally, the third has to do with the mortality. I mentioned $100.00 of this premium is, in our example, a term insurance premium which is designed to cover the difference between the face and the cash value. That $100.00, typically, if the policy is being reserved under the CSL basis will be two-thirds than what is necessary. In essence, you will

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need $66.00 of it in order to provide the actual benefits, and there will be a $33.00 dividends payable to Mr. Mueller. It is difficult to say, at this point, whether Mr. Mueller will get more than 33 or less than 33 out of the closed block. The problem is the sloppiness in the record keeping. We have 800,000 or 600,000 policyholders that have not been identified. The understanding is that many of them may have been deceased. That means the mathematics that underline the closed block is fuzzy, at the least.

Mr. Mueller, when he contracted, did have a right of due diligence that the records of the company would be handled appropriately, so with regard to whether he is going to be making money or losing money on the mortality portion of his dividends, we don't know whether the closed block is a winner or loser. The point is, nobody knows. That is a situation that should not be allowed by your office. I would note, we are involved in litigation in other states. That is the issue which probably more than anyone else has picked up on, and I hope your office will perhaps give Met a good kick in the

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elbow to make sure they do chop their 600,000 down to a more, you know, better number.

The final two points I want to close, and I'll be briefer on these, concerns the closed block. There is a problem with dissipation of value. The problem is, as Mr. Weeks mentioned, the closed blocks, the investment opinions coming from First Boston and Goldman, give no indication of the fair value. They won't talk about fair value of the expected stock. Five years ago, the investment bankers on demutualization would have opined. In fact, when Merrill Lynch was opining on State Mutual up in Boston they mentioned when the IPO went off the expected the market price would be 15 to 25 percent above to what it was offered at. That is an amount which earlier speakers has referred to as the IPO pop.

Mr. Silverstein talked around the subject in vague terms. He said, "Well, this is what the IPO price will be what a sophisticated believe an investor will buy." The translation is sophisticated investors are not going to buy it unless they get the pop. Which means this IPO when it goes off, the expectation, and this

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is my understanding from listening to Mr. Silverstein, will jump and based upon what Merrill Lynch, a New York based underwriter says, the expectation based upon what those investment banking firms has said, there will be a pop of 15 to 25 percent. When, and if, that happens that will mean a transfer of policyholder value away from the 11 million, you know, moms and pops that own the company now, to the friends and family of Goldman Sachs. There should be a way, in order to keep that within the 11 million member community of Metropolitan, that diversion of value which is part of the embedded value of Metropolitan a way should be found not to divert that.

I would suggest one or two things, cancel the IPO. It's not necessary to provide funds to casual policyholders. It's not necessary to spend $1.6 billion for General American, when all of the dust settles in that, the loss for General American somewhere between $50 million or $75 million. I would suggest that General American be handled much the same as New England Life did. Don't make it a $1.6 billion purchase for cash. That does nothing for the

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Metropolitan policyholders.

I would say either cancel the IPO. But, if it must go ahead, then I would suggest lower the IPO from something $6 billion or $8 billion, which is totally unnecessary, to something like a billion close to covering the expenses.

Secondly, I would suggest that you take what's called the Dutch auction approach. It's interesting, and again Mr. Weeks approached this -- I think you know where I'm going with that, so I'll spare you that.

Let me also give you my recommendation for closed block. You either get rid of the closed block completely or else you just put in some sort of a minimum dividends scale.

Finally, with regard to forensics, the actuarial loss is fourth grade mathematics. If we have a $300 million share IPO, and it goes off at 20 bucks a share, just run the numbers. You can do it. Maybe there is a billion dollar of transference which ought not to happen. That is the nickels and dimes of the widows and orphans, etc. It ought to be protected.

Finally, we come to the big enchilada, and that's the suppression of the demutualization

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capitalization because of the all of the impediments in Delaware law, and I guess there are some in New York law, that require anti-takeover provisions which, as Mr. Weeks said, due suppress the value. Again, we are looking for numbers, and we are looking for help there from the investment bankers. I think, as policyholders, that's what these people are hired to do, to give us advice. I find the opinions to be worthless. Look at this way: If Metropolitan, when it finally goes, is capitalized at $20 million, and if the two for one ratio that Mr. Weeks has mentioned is appropriate for the costs of a company that's being put out without any impairments or impediments, we are talking about a $20 billion loss in total that will evolve over time that ought to go to these people. I would urge to find a way around that. I thank you very much for your time. I pray you do well with your decision.

SUPERINTENDENT LEVIN: Thank you. The next representative is a representative from Key Span Energy. Is there somebody here from Key Span? Okay. Seeing none, next is Ms. Anita

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Kartalopoulos.

MS. KARTALOPOULOS: Good pronunciation.

SUPERINTENDENT LEVIN: Lucky guess. You are representing --

MS. KARTALOPOULOS: Several policyholders. We are appearing on behalf of policyholders, who have approached us with concerns regarding the proposed demutualization.

As Metropolitan Life Insurance Company tries to demutualize to, quote, take advantage of changes in laws relating to affiliations between insurers and other types of companies, as they say in their information booklet, it proposes a plan that adversely changes current owner's interests in several ways. This adverse changes will cause their policyholders contracts to be at variance with the expectations created by the Metropolitan. The risks are not adequately disclosed to the policyholders in any of the information received as part of the reorganization. Metropolitan provides vague and inadequate information about the consideration to be offered to policyholders, in exchange for the extinguishment of their ownership rights in Metropolitan Life. Methods pursuant to their

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demutualization do not adequately compensate the policyholders for their ownership. Failure to provide the policyholders with sufficient information to make an informed choice in the eminent demutualization vote on February 7, leaves this vote as a perfunctory measure and not a true indication of the financial terms of this demutualization.

If these issues are insurmountable, the demutualization of Metropolitan Life is not fair and equitable to policyholders and is not in the best interest of the mutual life insurer and its policyholders.

Metropolitan Life does have a qualified right to demutualize under New York law. In permitting demutualization, the legislature created safeguards for the interests of policyholders. Whereas, here, a proposed plan is not fair and equitable to policyholders, the superintendent must either withhold approval or condition approval in such a way that protects those same policyholders. The policyholders are the Metropolitan, and the superintendent should not allow their rights to be disregarded in the Company's desire to grow to much larger

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proportions. Let me highlight several areas of concern.

First, is the creation of the trust. Metropolitan plans to issue the share ownership of policyholders to a trust. I believe the use of the trust, to hold the re-issued stock, is not in accordance with New York law. As we've heard from many people before, severely disadvantages the policyholders. It denies them full use of their shares, and places certain restrictions on their ability to receive the fair value of their shares. It operates as a de facto mutual holding company, even though the legislature decisively rejected the idea in the recent years. Those buying in the public offering will have shares that are fair superior to the shares given to the stockholders, since several features of the trust keep current policyholders from receiving fair market value, including the delay on the stock sales, the inability of trust beneficiaries to withdraw their shares for an extended period of time, inability of owners fewer than 200 shares sell less than their complete allotment and many other factors.

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Most importantly, Section 7312E-2 governs what forms of consideration can be given to policyholders as follows: The consideration to be given in exchange for the policyholders membership interest, or into it which membership interest is to be converted, may consist of cash, securities of the reorganized insurer or securities of another institution or institutions. A certificate of contribution, additional life insurance or annuity benefits, increased dividends or other consideration or combination of such forms of consideration. Trust interests are not a type of consideration permitted under this section.

Secondly, is the funding of the closed block. We believe the amount of assets in the closed block is inadequate to maintain current dividends expenses under current conditions. This is indicated by the fact that the assets of thirty-five billion, eight hundred twenty-six million dollars are significantly less than the funded liabilities of thirty-nine billion, two hundred ninety-four million dollars. The closed block is improperly being charged in perpetuity of fixed expense of $40.00 per policy for U.S.

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traditional and New England traditional and $10.00 for U.S. Industrial Life policies. This is despite the fact that MetLife has stated in the booklet that they are committed to reducing operating expenses. It is likely, therefore, that the actual costs of administering those policies will decrease in future years. This also contradicts that dividends will be paid under current methods. Since currently dividends are increased if expenses are decreased. The large number, 600,000 policyholders who have not been located, further creates uncertainty as to the uncertainly of the funding of the closed block.

The closed block assets contain bonds of a wholly owned re-insured. Other superior assets should be substituted. The allocation of the shares, likewise, presents difficulties. Other superior assets should be substituted. The allocation of the shares likewise presents difficulties. It is based upon historical plus perspective to surplus. We think this is inconsistent with New York law. Since policyholders should be entitled to the full benefit of their contribution to the surplus.

We believe that MetLife proposal does not conform to 7312 D-1 C as set forth in the statute.

Finally, policyholders who receive cash are another area of substantial concern. Cash payments are based on the IPO price. This is entirely inappropriate because IPO are priced low. In the Hancock demutualization, the price was based on the greater of the IPO price or the average of the stock price in the first 20 days of trading up to 120 percent of the IPO price. Some similar method should be adopted here, in order to ensure appropriate value.

In conclusion, we believe the current plan is flawed and should be modified before being approved by the Commissioner. This comes clearly within your purview, and I think it was something you did in the Mutual of New York demutualization. We intend to submit a more detailed written presentation discussing these concerns for the department's consideration. I thank you very much for your time.

SUPERINTENDENT LEVIN: Thank you very much. The next speaker is Ed Cochran.

We are going to take a one-minute break,

but Allison, could you tell me this time when they are done.

We are going to pause a moment while we change the tape.

If Mr. Cochran is here, he can come up because we really are going to be beginning in about one minute.

(Pause)

SUPERINTENDENT LEVIN: Our next speaker is Mr. Ed Cochran. Is Mr. Cochran here?

We have two additional speakers.

Mr. Philip Bieluch. I am not sure if I pronounced that right. I may have mispronounced that.

I see somebody coming towards the podium, so perhaps we have communicated. Mr. Bieluch.

MR. BIELUCH: My name is Philip J. Bieluch. I am a resident of Southborough, Massachusetts. I am a fellow of the Society of Actuaries and I am a member of the American Academy of Actuaries.

Closed blocks, in general, and as funded by Metropolitan Life, cause concern in a

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few areas. I would like to call the Department's attention to a paper titled "Closed Blocks and Mutual Company Conversions" as published by the Society of Actuaries," in the Society of Actuaries Financial Reporting Section Monograph M-AS99-1, dated October 1999.

The paper was written by Messrs. Charles Carroll and J. Peter Duran, both partners at Ernst & Young, LLP. I have a copy of the paper, as published, to enter into the record.

In the paper, the authors discuss a general principle of dividends after demutualization:

"This line of" -- this is a quote:

"This line of reasoning, we believe, leads to a general principle which could be stated as follows: 'When experience changes, dividends should be adjusted in the same manner that they would have been adjusted in the absence of a demutualization.'"

Metropolitan stated a similar purpose in their Policyholder Information Statement, Part One, page 44, as follows:

"The Closed Block is provided for in the New York Insurance Law to ensure that policyholders' reasonable dividend expectations

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will be met after a mutual insurance company converts to stock form."

One area where Messrs. Carroll and Duran find this principle violated is the impact of persistency on dividends. As stated by Messrs. Carroll and Duran:

"The typical dividend formula used by most mutual companies does not have a specific factor that recognizes the effect of persistency."

They recognize that:

"The formation of a closed block can change this situation dramatically, a fact that was recognized and commented on by the task force in its report. In fact, the establishment of a closed block will require at least an implicit recognition of persistency differences."

Nothing provided by Metropolitan in the policyholder mailings discusses persistency's effect on policyholders' dividend expectations. In fact, they state just the opposite when they state in the Policyholder Information Booklet, Part One, page 45, the following:

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"The principles and methodologies used to develop the current dividend scales were not materially different from the principles and methodologies used to develop dividend scales in recent years."

Investment income creates another concern with the closed block. Messrs. Carroll and Duran state:

"Formation of a closed block essentially mandates a form of asset segmentation. This fact has an important consequence since the company must honor the guarantees in closed block policies, whether or not the closed block assets prove sufficient, while better-than anticipated returns on closed block assets go entirely to benefit policyholders, there is an incentive for the company to invest closed block assets in relatively safe, but low-yielding investments."

Again, nothing provided by Metropolitan in the policyholder mailings discusses this effect on policyholders' dividend expectations.

Messrs. Carroll and Duran offer a remedy to the above concerns as follows:

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"A more direct approach would be for the mutual insurer to commit as part of the plan of conversion to continue to determine dividends on preconversion policies using the same practices used in the past."

Dividend eligibility, which the mailings say will not be changed, is not the same as dividend amounts. Policyholders cannot evaluate worth of the stock offered as compared to lower dividend expectations created. The Metropolitan has not stated that dividend amounts will not be changed due to the demutualization. I ask the Department to consider such a requirement as a condition of approval.

Metropolitan has stated that there are 600,000 policyholders for whom they do not have a current address. Many of these policyholders may be currently deceased. A company with approximately 400,000 policyholders, who they could not locate, John

Hancock discovered tens of thousands of probably dead policyholders when the records of those policyholders were matched against the voter registrations in just a few states.

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Until the superintendent is aware of how many of Metropolitan's in-force policyholders are actually found to be dead, it would be impossible to determine a mortality assumption for the lines of business. Finding these policyholders could cause Metropolitan's estimate of incurred but not reported death claims to be too low affecting their reported profit. In addition, the funding of the closed block could be inadequate as the mortality rates that Metropolitan assumed were based upon mortality experience before these policyholders were found.

Consider the following quote from the Closed Block memorandum on page 13:

"The 1998 mortality study was considered in determining the 1999 dividend scale. This study was based on experience in 1997. It shows that over this period actual mortality was approximately 68.2 percent of an expected mortality table developed by Metlife. For closed block funding purposes, mortality of 68.2 percent of these expected rates were assumed for closed block funding."

A company with such a rich history of

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mortality studies, having published the statistical bulletin for most of the last century, should have a very good grasp on the number of policyholders expected to be deceased. Many of these lost policyholders probably are industrial policyholders. Industrial life premiums have been waived by the Metropolitan since 1981 resulting in a lack of yearly interaction with the policyholders.

The following is a quote from a report titled The Negro in the Insurance Industry as Published by the Industrial Research Unit, Department of Industry, Wharton School of Finance and Commerce.

"Negros represent one of the largest consumer groups that purchase industrial insurance."

Metropolitan's own statistics bear this out. Consider statistics published by the Metropolitan in a publication of the Actuarial Society of America, Transactions, Volume XXI, Part I, as follows:

"Number of Colored Premium-Paying Policies In Force, December 31, 1919, and Percentages, Respectively, of the Total

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Premium-Paying Policies In Force Ordinary 1.53 percent, Intermediate 12.31 percent, Industrial 11.96 percent."

I have a copy of both of these references to enter into the record.

Before approving the plan, I asked the superintendent to require Metropolitan continue the search for these lost policyholders by attempting to work with government officials in all jurisdictions where Metropolitan is licensed to find these policyholders. Any remaining policyholders who are not found should be part of an outreach program. To just stop looking for these policyholders would continue the discrimination of the past.

If the closed block is implemented, I ask the superintendent to ensure that the final funding of the closed block will not be determined until: Government officials in all jurisdictions where Metropolitan is licensed have reported the results of their search for lost policyholders.

Adjustments are made to reflect the fact that the remaining lost policyholders may

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all be dead;

The impact of paying these expected claims as used to adjust the Metropolitan mortality experience on these lines of business;

The impact of this adjusted mortality is used to calculate a new closed block funding amount.

To do otherwise would penalize policyholders in the closed block and benefit the stockholders of Metropolitan for Metropolitan's inability to maintain a minimal level of customer service with a substantial block of their policyholders.

In a paper prepared for the United States Commission on Civil Rights titled "Consultation on Discrimination against Minorities and Women in Pensions and Health, Life, and Disability Insurance," the following is stated on page 21 concerning industrial life insurance:

"Then, for many years, lower benefits or higher rates were applied to policies issued to blacks. Several techniques were used. One was to provide a death benefit on policies

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issued to blacks, two-thirds of that provided on comparable policies issued to whites; another to classify all blacks automatically as substandard, subject to higher premiums, and almost all whites as standard. These distinctions were abandoned in 1948. . . by the Metropolitan. . . for new issues. [C]ompanies. . . began programs for equalizing benefits for existing policies."

I have a copy of this paper to enter into the record.

In a book titled The Metropolitan Life - A Study in Business Growth published in 1947 and excerpted in the paper the following is stated:

"The same general approach as in industrial was tried in 1930 but discontinued at the beginning of '35. At that time a simpler overall rule was adopted under which the excess mortality was offset by paying only partial commissions on policies issued to Negroes.

"In May 1935, the New York State anti-color discrimination law was stiffened to forbid any distinction because of race in the

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amount of commissions paid for writing the policy. Thereupon, Metropolitan discontinued soliciting colored risks for any kind of life insurance in New York State."

The actuarial contribution memorandum does not discuss giving these policyholders any additional share allocations.

I ask the superintendent to review these practices to ensure that the policyholders' contributions calculated for these policyholders reflect the additional costs these policyholders were forced to incur due to this discrimination. To not give these policyholders additional shares represented by the additional premium charges, reduced benefits or reduced commissions continues to the discrimination by Metropolitan Life.

SUPERINTENDENT LEVIN: Thank you, Mr. Bieluch.

Mr. Thomas Welling.

MR. WELLING: Good afternoon, Mr. Superintendent, staff, Mr. Benmosche, staff and advisers and fellow attendees. My name is Tom Welling. I am a charted life underwriter and charted financial consultant, a registered

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principal with the National Association of Securities Dealers, with more than 30 years of experience in the design, implementation and funding of the client contribution retirement plans.

I am currently area chairman of GBS Retirement Services, which is an NASD broker-dealer, a MetLife broker, as well as broker for a number of other insurance companies, and a wholly-owned subsidiary of

Arthur J. Gallagher & Co., an international publicly-held insurance brokerage firm. GBS Retirement Services functions as broker and consultants under client contribution retirement plans.

My firm's clients include, but I am pleased to report not limited to, four not-for-profit institutions in New York State which have nonparticipating group 403(b) annuity contracts with more than 7,000 participants in those contracts and more than $300 million in assets with Metlife under those contracts.

Each participant has received a MetLife certificate, and MetLife maintains an

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individual account for each of them. Yet, they are clearly being disadvantaged in this process. Instead of receiving 70,000 shares of MetLife stock, the minimum allocation of 10 shares for each participant, at the least, 40 shares of MetLife stock are being allocated among these 7,000 plus people solely because they are participating in nonparticipating group annuity contracts instead of either participating group annuity contracts or individual contracts whether they are participating or nonparticipating.

By way of background, in the group annuity arena the difference between a participating and a nonparticipating contract is primarily nomenclature, not substance. Dividends are rarely, if ever, paid on the group annuity contracts whether they are participating or nonparticipating. In fact, participating group annuity contracts will sometimes contain language stating that no dividend payments are anticipated under the contract. Even when dividends are anticipated, the difference between a participating contract and a nonparticipating contract is pricing, not

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ownership, in the issuing company.

It is simply not reasonable, not to mention unfair and inequitable, to disadvantage nonparticipating contract holders and the participants in those contracts in the way that this plan of demutualization disadvantages them.

MetLife treated these group annuity participants as having separate and distinct rights in the handling of the recent class action suit settlement. This was appropriate in my view.

When UNUM demutualized several years ago under the main statutes, the participants in nonparticipating group annuity contracts were not disadvantaged versus other categories of UNUM policyholders, and I am confident that the same will be true for Prudential under New Jersey statues.

Why then should New York State, with a well-earned reputation of being most protective of individual participants' rights, allow such disparate treatment in this situation? This runs directly counter to the position taken by the New York Insurance

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Department in the MDL rehabilitation when it vigorously protected participants in group annuity contracts where individual account records were maintained by MDL on behalf of the 7,000 plus participants and my client's MetLife contracts and on behalf of, perhaps, many thousands of other individuals with hundreds of millions of dollars of assets with MetLife in a similar situation.

I respectfully request that this allocation formula be revisited and revised to produce the fair and equitable treatment which MetLife asserts it seeks to achieve.

If Section 7312 of the New York State Insurance Law has been interpreted to mandate this unfair and inequitable treatment, then I suggest that it be revised or at least reinterpreted to produce a fair and equitable result for all contract holders and their participants before this IPO is approved and allocations are made.

Thank you for your consideration.

SUPERINTENDENT LEVIN: Thank you very much, Mr. Welling.

That concludes the speakers for

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today.

Let me just remind everybody that the record from today's hearing will remain open until February 14th. And for additional comments, Ellen Wenz, W-E-N-Z, in public affairs of the New York State Insurance Department, 25 Beaver Street, New York, New York 10004.

I am not quite sure, but in order to keep things moving -- I don't think we are taking, doing, Q and A -- so that concludes the people who are organized speakers.

The other thing I would remind everybody, as I said before, the video of this proceeding will be available on our website. The address is www.ins.state.ny.us.

With that, I would like to offer Mr. Benmosche -- I don't know if there is anything that you wish to address today. If you would like, you are certainly welcome to;

otherwise we will conclude today's proceedings.

MR. BENMOSCHE: Just briefly, I would like to comment that I do appreciate the input from everybody who spoke.

What is important to understand is

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that we as a group of management represent all of the policyholders, and there is a significant group of people, and we can't just necessarily look at one small constituency. We did the best we could as we presented this plan to the Department to be fair and equitable to all policyholders. We also recognize that it is important that even the small policyholder have an opportunity to own part of our company, which is their company. This is a policyholder-driven company.

So therefore, the trust was intended to make sure that it was easy for people and not be cost prohibitive so they all could continue to participate, as you have heard from many of the speakers this morning, participate in the upside of this company over time and to the extent we continue to do well. So that I appreciate the input.

We are going to continue to work hard for this country, continue to be an investor in this country and for the policyholders we serve.

SUPERINTENDENT LEVIN: Thank you.

Again, we will keep the hearing

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record open until February 14th, and then I have 60 days after that to render a decision. So we appreciate everybody's input for today and we will continue to receive comments.

With that, we will conclude today's hearing.

Thank you.

(Hearing concluded)

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