

PROBLEMS



MetLife, Inc. (MET)

P7-39. Analyzing and Interpreting Available-for-Sale Securities Disclosures (200)

Following is a portion of the investments footnote from MetLife's 2010 10-K report. Investment earnings are a crucial component of the financial performance of insurance companies such as MetLife, and investments comprise a large part of MetLife's assets. MetLife accounts for its fixed maturity (debt security or bond) investments as available-for-sale securities.

December 31, 2010 (In millions)	Cost or Amortized Cost	Gross Unrealized			Estimated Fair Value
		Gain	Temporary Loss	OTTI* Loss	
Fixed Maturity Securities:					
U.S. corporate securities	\$ 89,713	\$ 4,486	\$1,631	\$ —	\$ 92,568
Foreign corporate securities	65,784	3,333	939	—	68,178
RMBS	44,468	1,652	917	470	44,733
Foreign government securities	42,154	1,856	610	—	43,400
U.S. Treasury, agency and government guaranteed securities	32,469	1,394	559	—	33,304
CMBS	20,213	740	266	12	20,675
ABS	14,725	274	590	119	14,290
State and political subdivision securities	10,476	171	518	—	10,129
Other fixed maturity securities	6	1	—	—	7
Total fixed maturity securities	<u>\$320,008</u>	<u>\$13,907</u>	<u>\$6,030</u>	<u>\$601</u>	<u>\$327,284</u>
Equity Securities:					
Common stock	\$ 2,060	\$ 146	\$ 12	\$ —	\$ 2,194
Non-redeemable preferred stock	1,565	76	229	—	1,412
Total equity securities	<u>\$ 3,625</u>	<u>\$ 222</u>	<u>\$ 241</u>	<u>\$ —</u>	<u>\$ 3,606</u>

*OTTI refers to "Other-Than-Temporary Impairment" that MetLife does not expect to reverse.

December 31, 2009 (In millions)	Cost or Amortized Cost	Gross Unrealized			Estimated Fair Value
		Gain	Temporary Loss	OTTI* Loss	
Fixed Maturity Securities:					
U.S. corporate securities	\$ 72,075	\$2,821	\$2,699	\$ 10	\$ 72,187
Foreign corporate securities	37,254	2,011	1,226	9	38,030
RMBS	45,343	1,234	1,957	600	44,020
Foreign government securities U.S. Treasury, agency and government guaranteed securities	11,010	1,076	139	—	11,947
CMBS	25,712	745	1,010	—	25,447
ABS	16,555	191	1,106	18	15,622
State and political subdivision securities	14,272	189	1,077	222	13,162
Other fixed maturity securities	7,468	151	411	—	7,208
Other fixed maturity securities	20	1	2	—	19
Total fixed maturity securities	<u>\$229,709</u>	<u>\$8,419</u>	<u>\$9,627</u>	<u>\$859</u>	<u>\$227,642</u>
Equity Securities:					
Common stock	\$ 1,537	\$ 92	\$ 8	\$ —	\$ 1,621
Non-redeemable preferred stock	1,650	80	267	—	1,463
Total equity securities	<u>\$ 3,187</u>	<u>\$ 172</u>	<u>\$ 275</u>	<u>\$ —</u>	<u>\$ 3,084</u>

*OTTI refers to "Other-Than-Temporary Impairment" that MetLife does not expect to reverse.

Required

- At what amount does MetLife report its fixed maturity securities on its balance sheets for 2010 and 2009?
- What is the difference between realized and unrealized gains and losses?
- What are the net unrealized gains (losses) for 2010 and 2009 on its fixed maturity securities? How did these unrealized gains (losses) affect the company's reported income in 2010 and 2009? (*Hint*: see the Google footnote excerpt on page 7-7 for an explanation of how OTTI losses affect income.)

P7-40. Analyzing and Interpreting Disclosures on Equity Method Investments

General Mills invests in a number of joint ventures to manufacture and distribute its food products as discussed in the following footnote to its fiscal year 2010 10-K report:

General Mills (GIS)

INVESTMENTS IN JOINT VENTURES Our investments in companies over which we have the ability to exercise significant influence are stated at cost plus our share of undistributed

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