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MetLife Inc. Q3 2008 Earnings Conference Call Transcript

Question-and-Answer Session

Thank you. [Operator Instructions]. With that, we'll go to the line of Tom Gallagher with Credit Suisse. Please go ahead.

Tom Gallagher - Credit Suisse - North America

Good morning. Just wanted to ask a few questions around equity market sensitivity. First is, can you comment on just based on the extent of the equity market declines so far in Q4, is there an impact to your statutory capital. That's first question. And then second, Bill I guess just a follow up on your comments on DAC. I can appreciate that you all are truing this up every quarter. But, aren't we getting close to breaking through certain corridor in terms of longer term assumptions for DAC amortization? And if so, is there a risk that we could see a much larger charge perhaps in 4Q, if you do reset assumptions? Thanks.

William J. Wheeler - Executive Vice President and Chief Financial Officer

Hi Tom. Yeah, okay. So stock capital, yeah we clearly have...quarter-to-date, if things stayed where we are in terms of the equity markets, we would certainly see an impact to our stat reserves regarding our variable annuity business. I guess or probably maybe I should size that a little bit for you. And this is...obviously we don't really recalculate RBC. It's actually... it's a long involved process, but we obviously make estimates about RBC. We have a person who does that. That's their full time job is to calculate and project RBC for us, various legal entities.

We... think about it this way. We have a... in the third quarter, we had a 9% decline in the S&P 500 and that triggered for us we had to... we needed to increase our stat reserve, call it 3 or 4 RBC points, okay. And for us an RBC point is a little bit over \$50 million. Okay, so that's sizing this for you.

Now, the relationship is not completely linear of this way. So if you talked about... so you are like... so quarter-to-date, we've had a 19% decline in the S&P 500 I think and so if you know, if you sort of doubled the third quarter impact, you'd be left with sort of a 6 to 8% increase in our decline in RBC points. And again, the relationship... it's not completely linear, so it's higher than that. It might be something like 10 to 12 points, okay. A 10 point impact RBC is now roughly 500 million or \$0.5 billion of additional stat reserves, you got to put up, but the number is probably a little higher than that.

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