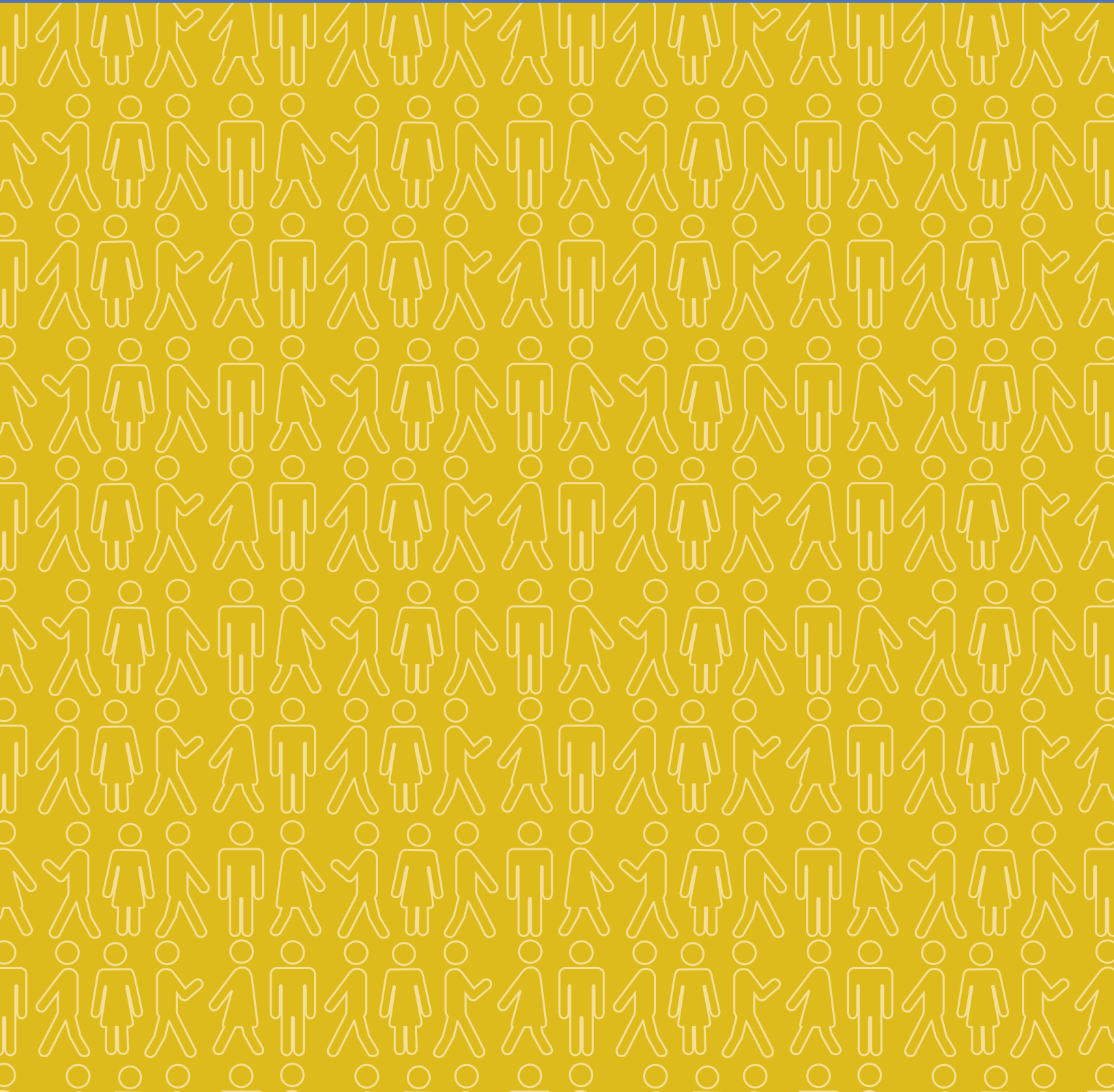


MetLife Group Disability Research, Conclusions and Call to Action

The perceived value of disability insurance

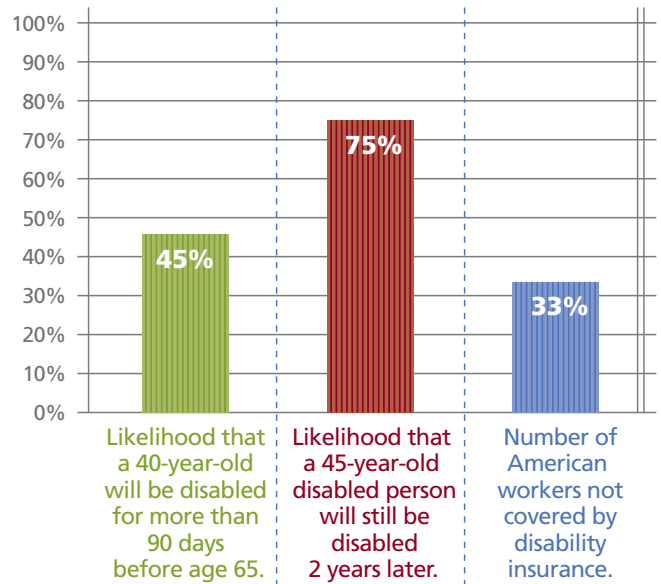


One of the most important assets that many of us possess is our ability to earn an income. Often times, however, protecting this income is not considered a priority when developing a sound financial plan. Other things may take precedence, such as saving for retirement or for a child's college education, or financially protecting loved ones in the event of death.

Without an income, these things cannot be paid for. It's important for employers to be aware that, in general:

- *Employees are underestimating the likelihood of becoming disabled and many have not done income protection planning.*
- *Employees are not aware of the importance disability insurance has on a financial plan.*
- *Many employees have inadequate levels of disability insurance.*

Based on research conducted by MetLife, there is a large knowledge gap about disability.



Source: 2004 MetLife Benefits Trends

LIKELIHOOD OF BECOMING DISABLED

The chance of becoming disabled can depend on one's age, occupation, lifestyle, domicile, etc. According to the **2004 MetLife Consumer Disability Income Awareness Survey**, the risk is probably greater than people may think.

Many American workers have developed false senses of security, often relying solely on their basic benefits packages to meet their insurance and investment needs – seeking no professional help.

In reality, as many as 52% of Americans are living paycheck to paycheck and are not adequately protecting their most important asset:

- **Their incomes.**

METLIFE CONSUMER STUDIES

The **MetLife Employee Benefits Trends Study** was conducted online in August 2004 among full-time employees (consumers) age 18 and older and employed by companies with at least two employees.

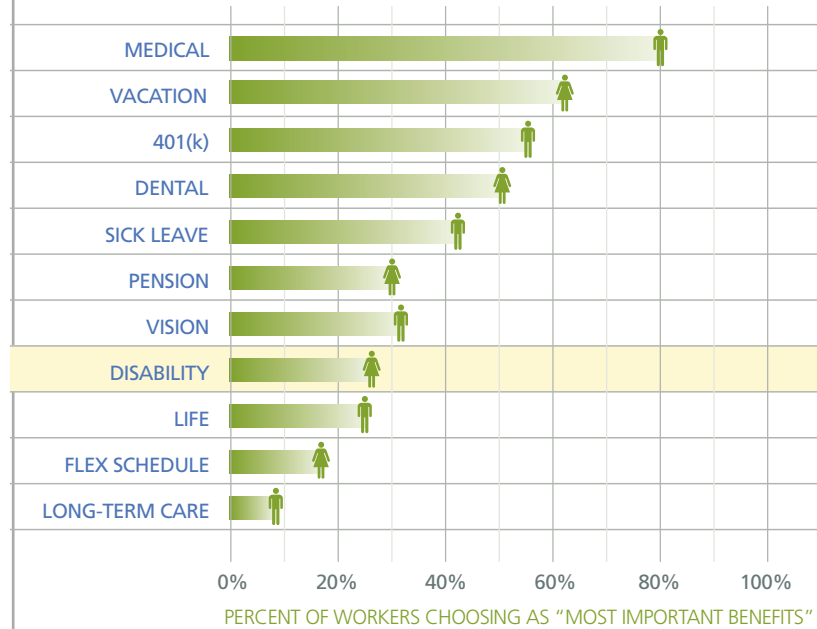
The **MetLife Consumer Disability Income Awareness Survey** was conducted in January 2004 and was taken by 1,000 consumers across the USA. The population is a representative group of consumers, including workers and nonworkers. It also is representative of the general demographic makeup of the country.

We leveraged these studies to help answer the following questions:

- *Do employees understand the importance of disability income insurance?*
- *How much do employees know (and not know) and understand about disability income insurance?*
- *Do employees have sufficient disability income coverage?*
- *How well do disability income plan participants understand their benefits and how the plans work?*

On average, respondents answered only 25% of the questions correctly. This may appear to be a devastating picture of employees' appreciation of this very important type of financial protection. Employers and insurance companies can take simple actions to better assist employees' abilities to understand disability and available protections.

**MOST VALUED
EMPLOYEE BENEFITS**



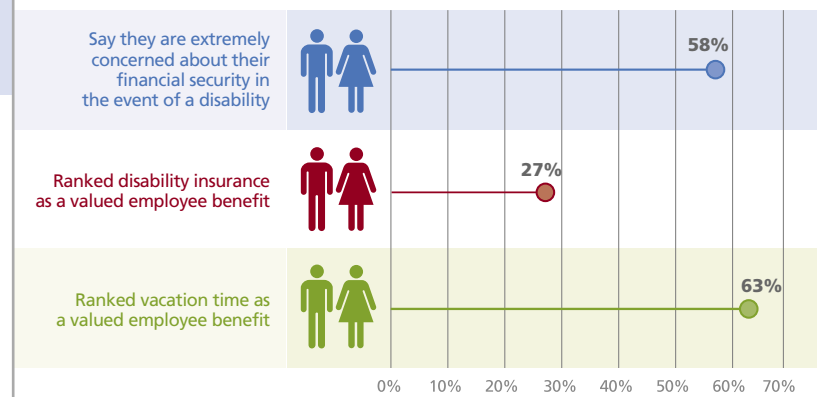
Source: 2004 MetLife Employee Benefits Trends Research

Respondents were allowed to choose five benefits from a list of 16 they valued as "most important."

The disconnect between concerns for financial security and the need for disability insurance

Fifty-eight percent of those surveyed indicated they are extremely concerned about financial security in the event of a disability.

STATISTICS



Source: 2004 MetLife Benefits Trends

GROUP DISABILITY

Even though employees have this concern, they still do not understand how much they need disability insurance and how this will help protect their financial security should they need it. In fact, only 14% of employees indicate that their incomes are their most important assets; therefore, they are spending very little time making decisions about their benefits (an average of less than 30 minutes for decisions on all of their benefits).

Employees have done very little planning for disability. As a matter of fact, 54% of American workers with financial dependents, a group highly in need of disability insurance, say they have done no specific planning for disability or for their spouses' potential disability.

Only 27% rank disability insurance as a valued employee benefit, putting vacation time way ahead at 63%.

DISABILITY INSURANCE: CONSUMER KNOWLEDGE

Based on MetLife's research, we know that consumers are very concerned about their incomes should they experience a disability. We also know that, even though they find a potential disability to be a concern, they do not rank disability insurance high on the list of employee benefits.

This is most likely because consumers do not have enough knowledge about the possibility of becoming disabled and/or just how disability insurance can help to protect them. To test this hypothesis, MetLife conducted the **Consumer Disability Income Awareness Study**.

2004 CONSUMER DISABILITY AWARENESS SURVEY

SURVEY QUESTION	CORRECT ANSWER	PERCENT ANSWERING CORRECTLY	LEADING INCORRECT ANSWER
Likelihood that a 45-year-old person will still be disabled two years later	75%	10%	25%
Likelihood that a 40-year-old person will be disabled for more than 90 days before age 65	45%	24%	15%
Most common short term disability claim	Pregnancy	26%	Back Strain
Most common long term disability claim	Cancer	28%	Stroke & Coronary/ Cardiac Disease
Thing that does not reduce disability benefit payments	Disability policy purchased on your own	37%*	Workers' Compensation
Most common percentage of salary received on disability	60%	36%	40%
Percentage of claims due to accident (vs. sickness)	Less than 10%	12%	50% & 25%
Percentage of all disability claims made by people earning less than \$30,000 per year	50%	28%	75%
Average length of a short term disability claim	55 days	6%	10 days
Percentage of Social Security claims denied on first review	60%	37%	45%
Average monthly Social Security disability amount to individuals without a dependent	\$833	33%	\$521

* Multiple responses allowed to this question.

Chances of Becoming Disabled

When asked what is the likelihood of a 40-year-old being disabled for more than 90 days before age 65, only 24% answered the multiple-choice question correctly (45% likelihood). Fifty-five percent underestimated the potential of becoming disabled in this situation.

When asked what is the likelihood of a 45-year-old disabled person still being disabled 2 years later, only 10% answered correctly (75% likelihood). The remaining 90% of employees underestimated the likelihood of remaining disabled for 2 years.

Average Number of Days

Out of Work on Short Term Disability

Most consumers underestimated the average length of a short term disability claim, with only 6% choosing the correct answer, 55 days.

A large percentage (42%) greatly underestimated, choosing a low 10 days.

This result further underscores the impact of consumers' knowledge and awareness gaps. Without appropriate understanding of how long a disability may last, employees cannot fully grasp the impact being out of work and on disability can have on their – and their families' – financial security and well-being.

Most Common Types of Disability

Consumers are unaware of which conditions account for the highest percentage of disability. While pregnancy is the most common short term disability claim, about half cited back strain. Only 28% of consumers correctly selected cancer as the most common long term disability claim. However, equal numbers selected

cardiac disorders and strokes as the most common long term disability claims.

Consumers do not have the knowledge of which conditions may most likely lead to disability; therefore, they cannot reasonably assess their likelihood of needing disability insurance.

Things That Do NOT Reduce

Disability Income Insurance Benefit Amounts

The survey asked employees about what they believe impacts the amount of their disability benefit from their employers' disability plans. Only 37% answered correctly by choosing a disability policy purchased on their own. About half* incorrectly chose Workers' Compensation and Social Security disability, while 19% didn't know.

Educating your employees can help them to better assess the right amount of coverage and the most appropriate combination of disability plans to meet their financial needs, such as supplementing their group disability plans with an individual disability income insurance policy.

Disability Benefit Amount

One-third of consumers knew that the most common percentage of salary received from a disability claim is 60%. Another third believed this amount to be 40%. Sixteen percent overestimated by choosing 80% of salary.

These responses further highlight the lack of understanding of how much coverage one needs to replace his or her current income. Clearly, the 16% who believe they will receive 80% or more of their salaries in disability payments may mistakenly believe that there is no need to purchase additional disability coverage to supplement their employer benefits plans.

Social Security Disability Payments

MetLife asked two questions about Social Security disability benefits:

What was the average monthly Social Security disability amount paid to individuals without qualifying dependents in 2003?

Approximately what percentage of Social Security disability claims is denied when first reviewed?

About one-third correctly chose the average Social Security disability payment in 2003 as \$833.*

From a previous section of the survey, we already know that nearly half mistakenly believe that Social Security disability payments have no impact on the amount of disability payments they'll receive from their employers' benefits plans. Once again, we see further evidence for the need for employees to be better educated about their disability benefits.

Less than 4 in 10 consumers realized that 60% of Social Security disability claims are denied on first review.*

Composition of Disability Claims

Consumers grossly underestimate the percentage of disabilities that are due to sickness, believing that a much larger percentage are the result of accidents. In reality, only 12% of disability claims are due to accidents.

Fifty percent of all disability claims are made by people making less than \$30,000 per year. Only about 3 in 10 correctly chose this as the answer. Since this segment is the most likely to live paycheck to paycheck, disability insurance benefits can take on an even greater importance to them.

PERCEPTIONS OF THOSE COVERED BY DISABILITY INCOME INSURANCE

MetLife's studies clearly indicate employees' lack of the essential information they need to understand their disability risks and to make the best decisions for their own financial and family situations. The **2004 MetLife Employee Benefits Trends Study** also showed that employees who own some form of disability insurance still maintain low understanding and awareness of disability.

About two-thirds of American workers are covered by disability insurance.

- *One in 10 employees are not sure if they are covered by disability income insurance.*
- *Two-thirds of those with disability income insurance don't know their amount of coverage.*
- *Half of those believe their level of coverage is inadequate.*
- *Among those with disability income coverage, more than one-third say they do not understand their disability benefits.*

Clearly, there is a need for employers and insurance companies to educate employees on their coverage. Employees depend on their employers and their benefits providers to offer guidance and direction so that they can protect themselves.

While MetLife's research proved that employees have misperceptions about becoming disabled and disability insurance, a positive shift can be made.

*Source: Social Security Disability Web Site.

A CALL TO ACTION FOR EMPLOYERS

Employers, working with their disability income insurance carriers, need to build awareness among their employees so they truly understand the need to own disability insurance and, further, how much coverage is adequate for them.

Best Practice Tips for Employers

There are avenues an employer may choose in order to get needed information to employees. MetLife research indicates that the way consumers want to learn more about disability insurance is at work – more than 60% preferred this channel.

Evaluate the current knowledge level of employees. There are many individuals who are unaware or uncertain of the facts about their disability coverage. Employers can help their employees:

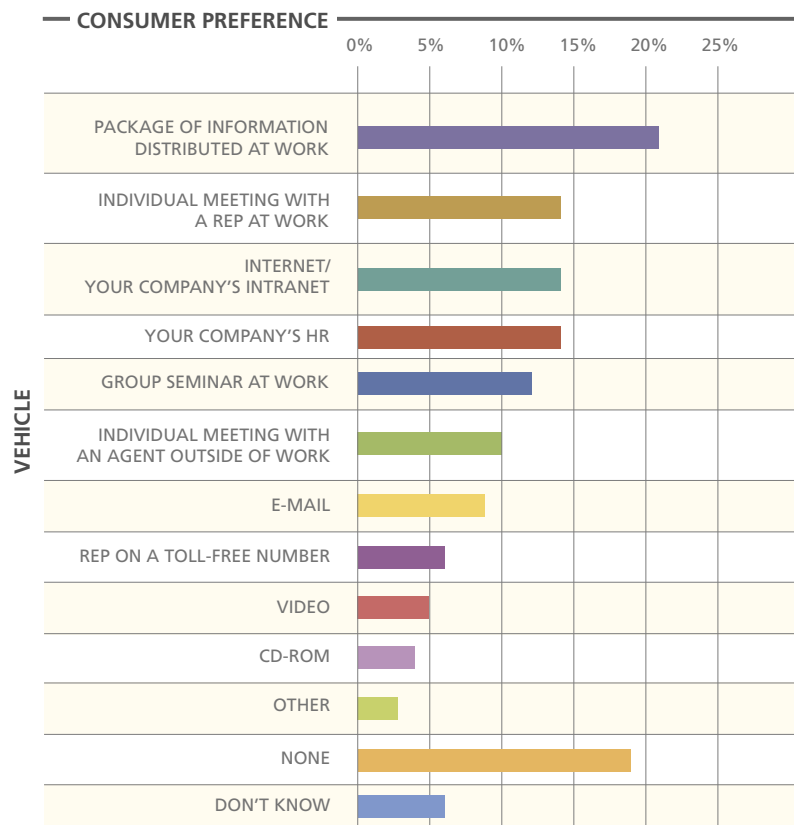
- *Understand what disability insurance is and what types of disabilities it covers.*
- *Gain a clear understanding of the definition of disability that is included under the company's summary plan description, including exactly what is covered and not covered.*
- *Determine if they are adequately covered and, if not, educate them about how adding an individual disability income insurance policy could be a solution.*

Employees should understand how disability income compares to an individual's monthly expenses. As a general rule, coverage should equal at least 60% of net income. If a person becomes disabled, their monthly work-related expenses would decrease, but such things as their medical expenses may increase. The individual's other monthly expenses, such as food, utilities, rent or mortgage, still need to be met. Also, people should consider that their need for disability insurance might

vary depending on life events. For example, the purchase of a new home can have a strong impact on the amount of disability coverage needed. The National Safety Council estimates that 1 out of every 2 mortgage foreclosures is due to a disability. In addition, although employees can obtain coverage in the workplace, there might be a need to obtain additional supplemental coverage.

The National Safety Council estimates that 1 out of every 2 mortgage foreclosures is due to a disability.

STATISTICS



Look for tools and resources from insurance providers to help with the educational process. For example, MetLife communicates information out through a variety of channels, including online. Information and employee choice options on the Web have helped to increase awareness, vastly empowering employees. Tools employers may consider are:

Calculators. Calculators help employees to understand whether the employee has a need for disability insurance and, if so, how much coverage is needed for the employee to continue his or her current lifestyle during a disabling illness.

Interactive modeling tools. These can help employers to identify and understand the cost of disability and absences to their bottom line. These interactive modeling tools can help:

- identify;
- illustrate; and,
- benchmark both direct and indirect costs of employee absences for the employer.

Improve messages and communicate them simply. This can help better educate employees on the value of disability insurance as an essential component of their total financial portfolios. Messages should clearly communicate the need for disability insurance, rather than simply the elections available.

Use both traditional and nontraditional communication channels and training. This can further reinforce the value of disability insurance and improve employees' awareness of its importance. This can include:

- *Providing Web-based communication and other interactive enrollment capabilities.*

- *Performing on-site group meetings and seminars.*

Increasing employer endorsement, inclusive of management participation in group presentations.

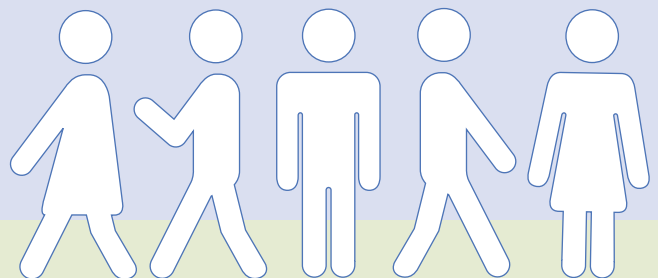
Encouraging employees to reevaluate their disability coverage when notified of a change in status, such as a marriage, birth, etc.

Conducting disability insurance enrollments outside the traditional benefit enrollment period.

SOME FINAL THOUGHTS. One of the most important assets an individual has is his or her ability to earn an income. Without an income, not only paychecks cease, but so do other protections that income can buy, like life insurance or investments, such as retirement and college savings, not to mention life's necessities.

From MetLife's findings, we can see that employees, while very concerned about what will happen should they experience a disability, don't make the connection between protecting their incomes and disability income insurance. Many of those with disability income insurance don't understand what they have or how their coverage works.

Employees need to be equipped to make decisions affecting their lifestyles and goals. Employers and insurance companies have a need to partner in order to instill employee awareness and appreciation for their benefits packages.



METLIFE: STABILITY. EXPERIENCE. SECURITY. MetLife Group Disability offers your company these solutions:

***Cost Management.** Surging health care costs are a primary concern for employers; in any given year, 10% of employees will be out on disability, accounting for 50% of medical costs. MetLife can help you make the most of your benefit investment.*

***Best-in-Class Service Model.** Talented workers are hard to find and keep, and employee absences can seriously affect productivity, profitability and morale. MetLife's best-in-class service model can help give them what they need when they're out and get them back to work sooner.*

***Financial Strength and Stability.** Your employees depend on your disability benefit to be there in a crisis. More than 10,000 companies depend on the financial strength of MetLife, and so can you.*

MetLife is a leading provider of disability insurance to individual and institutional customers. MetLife has more than 147,000 Individual Disability Income policies in force, with total in force annualized premium of \$177.8 million. MetLife is ranked fifth in both new sales premium and in force premium.¹ MetLife sells a full line of noncancelable and guaranteed renewable Individual Disability Income (IDI) policies, including Business Overhead Expense, Buy-Out and Mortgage Protection policies. IDI Buy-Up provides executives and other highly compensated employees with an additional level of income protection by layering Individual Disability Insurance on top of Group Long Term Disability (LTD). This approach enables IDI Buy-Up to be integrated with our Group LTD programs.

MetLife is the second largest group disability carrier in the industry, with more than \$1.6 billion of premium and equivalents in force.² MetLife is at the forefront of providing employers with innovative disability and absence management solutions through an integrated portfolio of products and services, such as:

- Group Short Term Disability (STD), including state-mandated plans, Administrative Services Only/Advice-to-Pay, and California Voluntary Disability Plan Administration.
- Group Long Term Disability insurance (LTD), including LTD Reserve Buy-outs.
- Family Medical Leave Act (FMLA) administration.
- *Synchrony*®* - integrated absence management service for workers' compensation, group disability (STD/LTD), and FMLA administration (www.insynchrony.com).

MetLife, a subsidiary of MetLife, Inc. (NYSE:MET), is a leading provider of insurance and other financial services to individual and institutional customers. The MetLife companies serve individuals in approximately 13 million households in the U.S. and provide benefits to 37 million employees and family members through their plan sponsors. Outside the U.S., the MetLife companies serve approximately 18 million customers through direct insurance operations in Argentina, Brazil, Chile, China, Hong Kong, India, Indonesia, Mexico, South Korea, Taiwan and Uruguay. For more information about MetLife, please visit the company's Web site at www.metlife.com.

¹LIMRA's 2003 Annual U.S. Individual Disability Income Report. ²2003 U.S. Group Disability Sales and In Force Survey, LIMRA International. **Synchrony*® is integrated absence management, which includes group disability insurance or services from MetLife, workers' compensation insurance or services from The Travelers Indemnity Company and/or its property casualty affiliates, and may include family and medical leave administration from MetLife. *Synchrony*® is a registered trademark of Travelers Property Casualty Corp. and MetLife. Metropolitan Life Insurance Company, New York, NY. Travelers Property Casualty Corp., One Tower Square, Hartford, CT 06183. Metropolitan Life Insurance Company, New York, NY 10010. L0409B5PU(exp0905)MLIC-LD

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