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Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2015-330

Dear Ms. Cospers:

MetLife, Inc. (“MetLife”) appreciates the opportunity to provide comments on the FASB’s Exposure Draft, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (the “Exposure Draft”). MetLife is a global provider of life insurance, annuities, employee benefits and asset management. Serving approximately 100 million customers, MetLife has operations in nearly 50 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

MetLife commends the Board on its efforts to clarify the guidance in Topic 805 with respect to the definition of a business. MetLife has long believed that the current definition of a business in Topic 805 is applied too broadly resulting in many transactions, especially acquisitions of real estate, qualifying as business combinations where such transactions more closely resemble asset acquisitions. We believe that the proposed guidance represents a significant improvement over current guidance and will reduce the cost and complexity of applying the definition of a business.

MetLife agrees that to be a business a set of activities must include, at a minimum, an input and a substantive process that together contribute to the ability to create outputs. While the framework and illustrations contained in the Exposure Draft would help reporting entities assess whether a substantive process is present in an acquisition, it is still unclear whether there is a minimum level of processes that would be required to conclude that a substantive process is present. As an example, in many real estate operations there are leasing activities and tenant management activities, *both* of which are necessary processes for the operation of a commercial real estate office building (i.e., both are necessary to contribute to the ability to create outputs). Where more than one process is required to operate a business, we recommend that the Board clarify that the acquisition of *all substantive* processes would be needed for the acquisition to qualify as a business combination. Such clarification would result in more consistency in application and thus reduce diversity in practice. We believe that this could be easily accomplished by adding another variation to Cases H and I in the Exposure Draft, where *one* of the significant processes that together contribute to the ability to create outputs is *not* included in the acquired set.

We also support the Board's decision to provide a screen to simplify the determination of when a set of assets and activities acquired is not a business. We agree that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, that set would not be considered a business.

Insurance companies often acquire ongoing insurance operations through indemnity or assumption reinsurance arrangements involving an inforce block of insurance contracts as well as the hiring of personnel supporting the contracts and obtaining intangible assets. Under current practice, an assuming company may determine that such reinsurance arrangements constitute an acquisition of a "business" and apply business combination accounting. We believe that business combination accounting in these reinsurance transactions provides a relevant and faithful representation of the underlying economics. Since it is uncertain how the revised guidance would apply to these types of arrangements, we recommend that the Board clarify that acquired customer relationships can be considered an acquired input and include an example that illustrates how the proposed guidance would apply to reinsurance transactions that involve more than just the transfer of investments and contract liabilities.

We appreciate the opportunity to comment on the Exposure Draft and offer our perspective. We have also attached our responses (see Appendix) to the questions contained in the Exposure Draft. If you have any questions on the contents of this letter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Peter M. Carlson".

Peter M. Carlson

cc: John C.R. Hele
Executive Vice President and
Chief Financial Officer

Appendix

Set forth below are our specific comments with respect to the questions in the Exposure Draft.

Question 1: Do you agree that to be a business a set of assets and activities must include, at a minimum, an input and a substantive process that together contribute to the ability to create outputs? If not, what other alternatives would you suggest?

We agree that to be a business a set of activities must include, at a minimum, an input and a substantive process that together contribute to the ability to create outputs. However, we believe additional clarification is needed in situations where a compliment of processes may be required to produce an output. Please refer to our response to Question 11.

Question 2: Paragraphs 805-10-55-5A through 55-5D provide guidance on determining whether a set contains an input and a substantive process that together contribute to the ability to create outputs. Are the criteria appropriate, and would they be operable in practice? If not, why?

The criteria provided in paragraphs 805-10-55A through 55-5D are appropriate and would be operable in practice.

Question 3: Would the proposed guidance be operable without the criteria in paragraphs 805-10-55-5A through 55-5D? Why or why not?

We believe that it would be more difficult to implement the proposed guidance without the criteria in paragraphs 805-10-55-5A through 55-5D. In addition, the lack of such criteria would likely result in broad interpretations of whether an input and substantive process contribute to the ability to create outputs.

Question 4: Paragraph 805-10-55-9 provides that the presence of more than an insignificant amount of goodwill may be an indicator that an acquired process is substantive. Do you think this indicator is appropriate and operable? Why or why not?

We generally believe that the presence of more than an insignificant amount of goodwill could be an indicator that an acquired process is substantive. The presence or more than an insignificant amount of goodwill could indicate that a company is acquiring more than just a single asset or set of assets.

Question 5: Do you agree with the changes proposed to the definition of outputs? That is, do you agree that for purposes of evaluating whether a transferred set is a business, outputs should be focused on goods and services provided to customers? If not, why?

We agree that for purposes of evaluating whether a transferred set is a business, outputs should be focused on goods and services provided to customers.

Question 6: Paragraphs 805-10-55-9A through 55-9C specify that if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset, the set is not a business. Is it appropriate to include such a threshold, and would it be operable? If not, why?

We believe that is appropriate to include a threshold, and that the threshold would be operable. The term “substantially all” is used elsewhere in the FASB Accounting Standards Codification, and is generally understood and consistently interpreted in practice.

Question 7: The threshold in paragraph 805-10-55-9A also applies to a group of similar identifiable assets. Would the identification of a group of similar identifiable assets be operable? If not, why?

We generally believe that the identification of a group of similar identifiable assets is operable. However, determining which identifiable assets could be combined when applying the threshold may require significant judgment, such as the acquisition of a portfolio of mixed-use real estate consisting of buildings and undeveloped land. The Board should consider providing additional guidance or examples to assist with this determination.

Question 8: Will the proposed guidance reduce the cost and complexity of applying the definition of a business? Why or why not?

We believe that the proposed guidance would most likely reduce the cost and complexity of applying the definition of a business.

Question 9: How much time would be necessary to adopt the amendments in this proposed Update? Should early adoption be permitted? Would the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

Significant time would not be needed to adopt the amendments in this proposed Update. We believe that early adoption should be permitted. The amount of time needed to apply the proposed amendments by entities other than public business entities need not be different from the amount of time needed by public business entities.

Question 10: Do you agree that the amendments in this proposed Update should be applied prospectively to any transaction that occurs on or after the date of adoption, and do you agree that there should be no explicit transition disclosure requirements? Why or why not?

We agree that the amendments in the proposed Update should be applied prospectively to any transaction that occurs on or after the date of adoption. Given the clarifying nature of this guidance, we agree that explicit transition disclosure requirements are not necessary.

Question 11: Do the examples in paragraphs 805-10-55-51 through 55-88 clearly illustrate the application of the proposed guidance? Why or why not?

The examples in paragraphs 805-10-55-51 through 55-88 provide helpful and clear illustrations of the application of the proposed guidance and are targeted to companies in a wide variety of industries. The real estate examples included in the proposal (Cases H and I) indicate that cleaning and security processes, on their own, would not be substantive, but that leasing, tenant management or other supervisory processes together may be substantive processes. In these examples, more than one substantive process is required to contribute to the ability to produce outputs, and, therefore, qualify as the acquisition of a business. We recommend that the Board expand Cases H and I to clarify that the acquisition of *all* of the substantive processes that are required to produce outputs would be needed for the acquisition to qualify as a business combination. Such a clarification would result in more consistency of application and thus reduce diversity in practice.

A common method for an insurance company to acquire an ongoing insurance operation is through an indemnity or assumption reinsurance arrangement involving an inforce block of insurance policies. These arrangements generally involve the assuming company receiving investments and assuming the existing

insurance contract liabilities from the ceding company in exchange for an upfront payment to the ceding company. In addition to obtaining renewal rights for all the existing policyholders, these arrangements often involve the assuming company agreeing to hire certain of the ceding company's employees involved in product development, marketing and sales, premium and claims processing and could also include existing distribution agreements, trade names, etc. In practice, an assuming company may determine that such an arrangement constitutes an acquisition of a "business" as defined by Topic 805 and SEC Regulation S-X item 210.11-01d, and apply business combination accounting, often resulting in the establishment of identifiable intangible assets and goodwill.

We believe that business combination accounting in this situation provides a more relevant and faithful representation of the underlying economics than reinsurance accounting. It is uncertain how the revised guidance would apply to these types of arrangements, as none of the illustrative examples in the Exposure Draft focus on an acquisition that primarily involves financial assets and liabilities, where customer relationships are a significant acquired input. To avoid potential diversity in practice, we recommend that the Board clarify in paragraph 805-10-55-5C that acquired customer relationships can be considered an acquired input for purposes of the analysis in paragraph 805-10-55-5B, as depicted in Case G. We also urge the Board to consider including an example in the final standard that illustrates how the proposed guidance would apply to a reinsurance transaction involving more than just the transfer of investments and policy liabilities, as described above.

Question 12: Do the changes to the Master Glossary create any unintended consequences?

We do not believe that the changes to the Master Glossary would create any unintended consequences.