



1095 Avenue of the Americas  
New York, NY 10036

**Peter M. Carlson**  
Executive Vice President and  
Chief Accounting Officer  
pcarlson@metlife.com

March 11, 2016

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

**Re: File Reference No. 2015-350**

Dear Ms. Cospers:

MetLife, Inc. (“MetLife”) appreciates the opportunity to provide comments on the FASB’s Exposure Draft, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (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 improve the effectiveness of disclosures that would deliver the most important information to users of an entity’s financial statements. We fully support the proposed amendments that would clarify that entities may consider materiality when assessing disclosure requirements for fair value measurements. We also agree that the disclosure requirements proposed to be removed from Topic 820, *Fair Value Measurement*, do not provide useful information to users.

However, we do not believe that the other proposed amendments in the Exposure Draft would improve disclosure effectiveness. For example, the costs to preparers to provide the changes in unrealized gains and losses disaggregated by all levels of the fair value hierarchy would be significant and would exceed any incremental benefits to users of financial statements.

We also believe that being required to provide the weighted averages of unobservable inputs used in certain Level 3 fair value measurements, particularly for actuarial inputs with respect to bifurcated embedded derivatives present in certain insurance contracts, would not lead to decision-useful information. It is unclear, for example, how an insurer would perform a weighted average for a mortality or lapse rate assumption that may vary across hundreds of projected scenarios over decades, applied to each of several thousand contracts, potentially across multiple countries and currencies. Even if the methods used to compute such amounts are disclosed, the disclosure would not be meaningful and could potentially be misleading. Under current guidance, we do not provide weighted averages for certain Level 3 inputs and disclose the rationale for why we exclude it. We recommend that any final standard

require weighted average disclosures if material and only if deemed decision-useful. If material and omitted, the rationale for why the information is not provided should also be disclosed.

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 black ink, appearing to read "P. M. Carlson". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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: Would the proposed amendments result in more effective, decision-useful information about fair value measurements? If not, please explain why. Would the proposed amendments result in the elimination of decision-useful information about fair value measurements? If yes, please explain why.**

The proposed amendments that require additional disclosures would not result in more effective, decision-useful information.

The proposed amendments to disclose the changes in unrealized gains and losses included in other comprehensive income and earnings for Level 1, Level 2 and Level 3 recurring fair value measurements is somewhat duplicative with current financial instrument and equity disclosure requirements. While the proposed amendments would require these disclosures disaggregated based on the fair value hierarchy, we do not believe they would provide decision-useful information. Users of our financial statements, to date, have not asked us to provide such information for Level 1 and Level 2 recurring fair value measurements.

Additionally, the proposed amendments to require disclosure of the weighted average and time period used to develop significant Level 3 unobservable inputs are not effective for certain fair value measurements. The weighted average for a portfolio of financial instruments, for example, would encompass multiple instruments with varying terms all reduced to a single value.

The proposed amendments applicable to public companies that eliminate (1) the amount of and reasons for transfers between Level 1 and Level 2, (2) the policy for timing of transfers between levels and (3) the valuation policies and procedures for Level 3 fair value measurements would not result in the elimination of decision-useful information from the financial statements. We also agree with the clarifications to ASC 820-10-50-2(g) involving the narrative descriptions of uncertainty.

**Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?**

The proposed amendments to disclose the changes in unrealized gains and losses are operable and auditable. However, as discussed below in our response to Question No. 3, these requirements would impose significant incremental costs.

As discussed further in our response to Question No. 5, determining a weighted average for volatility for freestanding derivatives and actuarial inputs for bifurcated embedded derivatives present in certain insurance contracts is not operational.

**Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.**

The proposed amendments to disclose the changes in unrealized gains and losses would impose significant costs on insurers. In order to develop these disclosures in an auditable environment, preparers would need to perform rollforwards comparable to those currently required for Level 3 recurring fair value measurements. Those Level 3 rollforward disclosures impose significant costs and are typically for a small percentage of an insurer's investment portfolio. Expanding these disclosures to Level 1 and Level 2 recurring fair value measurements would impose significant incremental costs to us with little benefit to users of our financial statements.

We note that the proposed amendments eliminate certain disclosure requirements for both public and private companies. However, the specific disclosures proposed to be eliminated do not impose significant incremental costs on preparers.

**Question 4A: The proposed amendments would apply to all entities, except for certain requirements in paragraph 820-10-50-2(bbb) through (d), for which private companies would be exempt. Do you agree with the exemption for private companies? If not, please describe why and which disclosures should be required for private companies?**

We agree with the exemption for private companies.

**Question 4B: Should entities other than public business entities (for example, employee benefit plans and not-for-profit organizations) also be exempt from the proposed amendments mentioned in Question 4A? If yes, please describe why and which disclosures they should be exempt from.**

We believe that employee benefit plans and not-for-profit organizations should also be exempt from the proposed amendments mentioned in Question 4A, as they do not provide decision-useful information.

**Question 5: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the weighted average of significant unobservable inputs used in Level 3 fair value measurements. Are there classes of financial instruments for which this disclosure is inoperable or does not provide meaningful information? If yes, please describe those classes of financial instruments and explain why.**

We have identified at least two classes of financial instruments for which the proposed amendments are either not operable or would provide information that would not be decision-useful.

We have operational and other concerns with being required to disclose a weighted average for unobservable inputs used to measure the fair value of Level 3 freestanding derivative instruments, such as volatility. In order to comply with the proposed amendments, entities would need to somehow aggregate the different points on a volatility surface for all of its freestanding derivative instruments, each of which may have unique characteristics, different strike prices, maturities and other terms. Also, it is unclear how to properly weight the data when calculating an average. The Exposure Draft does not clarify whether or not to use notional amounts (and if so, how to address varying tenors), the fair value of the freestanding derivative instrument, or some other method. Regardless of the methodology used and disclosed, the resulting weighted average disclosure would not be decision-useful.

We have similar concerns with being required to disclose a weighted average for actuarial unobservable inputs used to measure the fair value of Level 3 bifurcated embedded derivatives present in certain insurance contracts. Insurers would be required to determine a weighted average for mortality or lapse rate assumptions that may vary across hundreds of projected scenarios over decades, applied to each of several thousand insurance contracts across multiple countries and currencies. We do not believe such a process to be operational or one that would provide decision-useful information.

We recommend that any final standard require weighted average disclosures if material and only if deemed decision-useful. If material and omitted, the rationale for why the information is not provided should also be disclosed.

**Question 6: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the time period used to develop significant unobservable inputs. What would be the costs associated with including this disclosure? Would this disclosure provide more effective, decision-useful information?**

The proposed amendments to disclose the time period used to develop significant unobservable inputs would not impose significant costs. However, we do not believe these disclosures would provide decision-useful information to users of financial statements.

**Question 7: Are there any other disclosures that should be required by Topic 820 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.**

We do not believe there are other disclosures that should be required by Topic 820.

**Question 8: Are there any other disclosure requirements retained following the review of Topic 820 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.**

We do not believe there are other disclosures that should be removed from Topic 820.

**Question 9: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by nonpublic business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? If yes to either question, please explain why.**

Significant time would be needed to develop the processes needed to implement the proposed amendments for changes in unrealized gains and losses. Significant time would not be needed to adopt the other proposed amendments. 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.