MetLife, Inc.
200 Park Avenue
New York, NY 10166

Tamara Schock
Executive Vice President and
Chief Accounting Officer
tamara.schock@metlife.com

July 1, 2021

Technical Director
Financial Accounting Standards Board ("FASB" or the "Board")
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update – *Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method*

Reference No. 2021-002

Dear Technical Director:

MetLife, Inc. ("MetLife", "Company" or "we") appreciates the opportunity to respond to the FASB's May 5, 2021 Exposure Draft on the Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method* (the "Proposed ASU"). MetLife is one of the world's leading financial services companies, providing insurance, annuities, employee benefits and asset management. We hold leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East. MetLife is considered a larger public company and is traded on the New York Stock Exchange under the ticker symbol MET.

MetLife commends the Board's efforts to expand the current single-layer model to allow multiple-layer hedges of a single closed portfolio of prepayable financial assets or beneficial interests secured by a portfolio of prepayable financial instruments, which has been renamed the portfolio layer method. We agree with the amendments in applying the portfolio layer method in the Proposed ASU and believe they should be operable and auditable.

We would specifically like to address Question No. 3 of the Proposed ASU, which covers the scope of the types of instruments eligible for portfolio layer method hedging. The Board noted in paragraph BC27 that stakeholders indicated it is challenging to achieve hedge accounting for prepayable financial liabilities such as securitized debt obligations and certificates of deposit. The Board considered but rejected expanding the scope of the types of instruments eligible for the portfolio layer method.

We request the Board consider expanding the scope of the portfolio layer method to include liabilities, including certain insurance contracts with exposure to morbidity, mortality and lapse risk. The portfolio layer method was introduced to address the risks arising from prepayments, defaults and other factors affecting the timing and amount of cash flows for portfolios of prepayable assets.

Life insurance companies face similar challenges in hedging interest rate risk on groups of insurance contracts that contain mortality and morbidity. While various hedging strategies can be utilized on interest rate risk of long-dated liabilities, most do not qualify for hedge accounting due to mortality risk, morbidity risk and/or lapse assumptions. This results in significant income statement volatility that is not reflective of the economics of a hedged block of insurance business.

The mortality, morbidity and lapse risks within insurance contracts are similar in nature to prepayment, defaults and other events affecting the timing and amount of cash flows for portfolios of prepayable financial instruments. Under the portfolio layer method, these risks would not be incorporated into the hedging relationship and insurers could utilize layers where the aggregate amount of the hedged insurance contract liabilities are anticipated to be outstanding over the periods hedged. We believe the disclosure requirements of the Proposed ASU in conjunction with ASU 2018-12, *Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* would provide users of insurance company financial statements with decision-useful information of their hedging activities.

If there are any questions related to the contents of this letter, please do not hesitate to contact me.

Sincerely,

TSchock

Tamara Schock
Executive Vice President and
Chief Accounting Officer