MetLife, Inc.
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September 21, 2021

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

Re: Invitation to Comment – *Agenda Consultation*
Reference No. 2021-004

Dear Technical Director:

MetLife, Inc. ("MetLife", "Company" or "we") appreciates the opportunity to respond to the FASB's June 24, 2021 Invitation to Comment ("ITC") on its future standard-setting agenda. 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.

We have identified two topics beyond those in the ITC that we believe should be priorities for the Board to address – portfolio hedge accounting, and a post-implementation review of ASU 2018-12, *Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* ("LDTI"). We believe the portfolio hedge accounting topic is one that should be elevated to an active project as soon as reasonably possible, while most of the LDTI post-implementation review activities would occur in 2023 or later.

<u>Hedge accounting</u>

MetLife asks the Board to elevate its research project, *Hedge Accounting – Phase 2*, to an active project that includes further consideration of portfolio hedging for insurance liabilities.

Portfolio hedging is important for insurance companies, as they manage insurance liabilities on a portfolio basis in order to achieve pooling of risks. Insurance companies are financial institutions for which hedging financial risks is a critical risk management tool. Applying hedge accounting guidance under current GAAP for these liabilities is either operationally cumbersome, requiring a dynamic approach requiring frequent hedge re-balancing, or precluded under ASC 815, *Derivatives and Hedging*.

Thus, hedge accounting of these insurance liabilities is not frequently applied. Instead, any derivative instruments are non-qualifying which results in significant income statement volatility. This provides incomplete information to users of insurance company financial statements and can create a need for non-GAAP measures.

One way this objective could be achieved is via the portfolio layer method. As further discussed in our comment letter dated July 1, 2021 on the Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method*, we encouraged the Board to expand the scope of the portfolio layer method to include liabilities, including those with exposure to morbidity, mortality, and lapse risk. These 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 (the original scope of the portfolio layer method).

<u>Post-implementation review of LDTI</u>

We encourage the Board to conduct a post-implementation review of LDTI. The Board has conducted similar reviews in recent years for credit losses, leases and revenue recognition and we believe such reviews can provide valuable information to both standard-setters and the financial community.

We thank the Board for the opportunity to respond to the ITC and the consideration of our observations and comments. 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
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