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MetLife[®]

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Letter of Comment No: 100
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Mr. Lawrence W. Smith
Director, Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed FASB Staff Position FSP EITF Issue 03-1-a, "Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"

Dear Mr. Smith:

MetLife, Inc. (MetLife) appreciates the opportunity to comment on the Proposed FASB Staff Position FSP EITF Issue 03-1-a (Proposed FSP 03-1-a).

This comment letter addresses our main concerns as well as certain specific issues discussed in the FASB "Request for Comments" letter.

EITF Changes SFAS 115

MetLife's view is that the implementation guidance as it currently stands changes SFAS 115's definition of the "available for sale" category. Paragraph 82 of SFAS 115 states the following:

"... the available-for-sale category will include debt securities that are being held for an unspecified period of time, such as those that the enterprise would consider selling to meet liquidity needs or as part of an enterprise's risk management program."

It is critical for insurance companies to have the ability to sell securities at any given time whether for liquidity purposes, asset liability management or any other viable business reason. Unfortunately, the current EITF would have a drastic affect on how we view our investment portfolios. Whenever we have impairments, we will need to determine how long we will be holding our securities, which is counter to the AFS philosophy.

Accounting will ultimately drive business decisions and there will be additional costs for the Company in determining which securities will be held until a forecasted recovery. This could be a very subjective and arbitrary process. Companies should not be penalized for changes in circumstances that would require them to sell off securities or change their intent to sell securities in the near term, particularly if the sell off is for the purpose of adjusting durations to conform to asset liability matching or to reposition the portfolio to higher yielding investments, which may risk tainting the entire block of securities. As part of sound business practices, insurers may sell shares of a security in one portfolio and hold on the remaining portion for purposes of duration matching in another portfolio. Therefore, the appropriate unit level to assert ability and intent is at the security level or in this case a sub-security unit level and not at the portfolio level.

“Pattern of Selling” is too Broad

The idea that a “pattern of selling” mentioned in paragraph 16 can call into question the company’s intent to hold securities beyond recovery is too broad and should be either removed or clarified in the guidance. The potential inconsistencies in the application of such a criteria can be enormous and audit firms may take very strict interpretations of that criterion to the point where portfolio managers may have to change their investment strategies to avoid a significant write-down of their portfolios.

Again, this causes accounting standards to drive business decisions. Also, the “pattern of selling” criteria may cause premature write-downs on securities which will ultimately be accreted back through income. Lastly, whatever criterion is developed should be consistent with all investments covered under the EITF and not just paragraph 16 securities.

Inconsistencies of Income Recognition Subsequent to Impairment Loss Recognition

There are inconsistencies in the scope and income recognition of investment securities within accounting standards. For instance, EITF 03-1 refers to the guidance in SOP 03-3 in relation to income recognition subsequent to a write down. However, there is separate guidance in EITF 99-20, which has also been referred to in the proposed standard. In addition, there is guidance in other areas of accounting literature that was not addressed in EITF 03-1 such as SFAS 91 and EITF 96-12, which require different approaches to income recognition. Therefore, more guidance is needed in this area and we view this pending literature as a great opportunity for the Board and the EITF to provide clarity and consistency among security types.

Minor Impairments are Acceptable

The concept of minor impairments should be included in the EITF but there should be no bright line test. It should be principle based and apply to all securities that are affected by the EITF. Companies would have their own measure of determining a “minor impairment” consistent with how they manage their portfolio. Determining a measure

may vary from company to company depending on the industry, geography, risk tolerance, size, investment objective, portfolio mix etc. As such, interest rate and/or sector spreads should not be the only considerations in determining minor impairments. Also a set parameter is very arbitrary and may drive portfolio managers to work around the threshold. If it is decided that a threshold should be established, consideration should be given to having a scaled bright-line test proportionate with duration, instead of a single number or percentage.

Also it would be prudent to have a disclosure requirement describing a Company's policy pertaining to the minor impairment and minor impairments should include all investments covered under the EITF since each category of investments may have their own relevant measure.

If you have any questions regarding the contents of this letter, please contact me anytime to discuss our comments.

Very Truly Yours,

/ss

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cc: Joseph J. Prochaska
SVP, Chief Accounting Officer