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Sir David Tweedie
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Ms. Leslie F. Seidman
Chairman
Financial Accounting Standards Board
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401 Merritt 7
PO Box 5116
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**Re: IASB Supplement – *Financial Instruments: Impairment*
FASB Supplementary Document – *Impairment*
File Reference No. 2011-150**

Dear Sir David Tweedie and Ms. Leslie F. Seidman:

MetLife, Inc. (MetLife) appreciates the opportunity to provide comments on the IASB Supplement – *Impairment* and the FASB Supplementary Document – *Impairment* (collectively referred to as the “Supplements”). MetLife is a leading global provider of life insurance, annuities, auto and homeowners insurance, mortgage and deposit products and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions.

MetLife continues to believe users and preparers would benefit substantially if all participants agree to a common, understandable set of accounting standards. We support this FASB and IASB action that aligns with that goal and believe it will result in accounting standards that best enhance users’ comprehension of companies’ financial information and decision-making processes. We believe it is critical that the Boards continue to work together on the financial instruments project in developing a converged, high quality final standard. This should include joint decisions on next steps and possible joint exposure of a final overall standard on financial instruments.

We note in the Introduction of the Supplements (paragraph IN20) that the Boards have not yet redeliberated all of the proposals in the original exposure drafts and that the Supplements were issued to address open portfolios, which are considered to be the operationally most challenging area. In particular, the credit impairment requirements for financial assets that are not part of

open portfolios or that are evaluated individually are not in the scope of the Supplements at this time. However, as the Boards have generally held a preference for one credit impairment model for all financial assets and have requested feedback on the suitability of the proposed model for individual assets and closed portfolios, we have considered these issues in our comment letter.

We are supportive of a comprehensive set of impairment accounting principles that apply to all debt instruments in an effort to reduce complexity. We are also generally supportive of the proposed impairment model in the Supplements for financial assets managed in open or closed portfolios. However, as discussed below and in our responses to the questions, we do not support the proposed impairment model for financial assets managed on an individual basis such as debt securities.

We believe that certain financial assets, such as debt securities, have unique risk characteristics and we believe an accounting model that continues individual impairment evaluation, consistent with current U.S. GAAP, is appropriate. Application of the “good book” methodology, by definition, requires entities to group financial assets, and we believe attempts to group such unique financial assets using the criteria in the Supplements would be arbitrary. These arbitrary groupings would not be consistent with how these assets are credit-risk managed.

Grouping debt securities into a “good book” and “bad book” is not consistent with the way insurance companies manage their assets. Rather, these financial assets are credit-risk managed on an individual basis. Accordingly, we believe these assets should be evaluated for credit impairment on an individual basis using a methodology similar to the current U.S. GAAP impairment guidance for debt securities. Under this model, the accounting is most closely aligned with the business model. We believe this existing guidance is understood by users of financial statements and adequately addresses the issue of delayed recognition of expected credit losses (“too little, too late”) for these financial assets.

The following pages present our views on the proposed guidance in the Supplements.

We once again thank you for the opportunity to respond to your proposals and your consideration of our observations and comments. If you have any questions regarding the contents of this letter, please do not hesitate to contact me.

Sincerely,



Peter M. Carlson

Responses to Questions

1. Do you believe the proposed approach for recognition of impairment described in this supplementary document deals with the weakness (ie delayed recognition of expected credit losses)? If not, how do you believe the proposed model should be revised and why?

As discussed below in our response to Question No. 2, we believe that the existing U.S. GAAP impairment model for debt securities is well understood by users of financial statements and provides a foundation for credit impairment of individually managed financial assets.

We believe the proposed approach adequately deals with the issue of delayed recognition of expected credit losses for other financial assets managed in open or closed portfolios.

2. Is the impairment model proposed in the supplementary document at least as operational for closed portfolios and other instruments as it is for open portfolios? Why or why not?

Although the supplementary document seeks views on whether the proposed approach is suitable for open portfolios, the boards welcome any comments on its suitability for single assets and closed portfolios and also comments on how important it is to have a single impairment approach for all relevant financial assets.

We are not opposed to the application of the proposed impairment model in the Supplements to closed portfolios. However, while we understand the desire to reduce complexity by having a single impairment model, we do not believe that desire should outweigh the higher level goal to produce relevant impairment results. The arbitrary grouping of debt securities could lead to loss results that are not reflective of the credit risks of the underlying assets. Therefore, we believe that application of the proposed good book / bad book proposed impairment model to all financial assets, particularly debt securities, may not be suitable.

For investments in debt instruments, entities evaluate credit impairment on either an individual or collective (group) basis. On a more practical basis, the methodology used to impair debt instruments can be placed on a continuum. At one extreme, we believe best exemplified by residential mortgage loans, assets are evaluated for impairment almost exclusively on a collective basis (until a borrower becomes delinquent) due to the large number of individual borrowers, relative smaller size of each individual investment, and lack of readily available information with respect to each borrower (i.e., a reliance on homogenous information). At the other extreme, best exemplified by an investment in a corporate or governmental/sovereign debt security, assets are continuously evaluated for impairment individually on an issuer-by-issuer basis based on available information specific to the issuer.

For reasons discussed below, we do not believe the proposed impairment model is suitable for assets evaluated for impairment on an individual basis, particularly debt securities.

Concerns with Grouping Debt Securities with Unique Risk Characteristics

Our primary investment objective, consistent with others in the insurance industry, is to optimize risk-adjusted investment income and risk-adjusted total return while ensuring that investments and insurance liabilities are managed on a cash flow and duration basis. In achieving this objective, we manage a significant debt security portfolio that is classified as available-for-sale under current U.S. GAAP. We believe our debt security portfolio would be considered an “open portfolio” under the Supplements as we are continuously adding or removing securities due to purchases, sales, repayments and write-offs.

Our impairment process for debt securities, consistent with current U.S. GAAP, entails an issuer-by-issuer evaluation of these holdings, and considerations used in this impairment evaluation include issuer-specific concerns (primarily the potential for impairment due to the issuer experiencing significant financial difficulties) as well as macroeconomic factors (the potential for impairments in the issuer’s industry sector, the potential for impairments in economically distressed locations, or exposure to catastrophes).

We believe that debt securities have unique risk characteristics and believe continued individual evaluation is appropriate. Application of the “good book” methodology, by definition, requires entities to group such securities; we believe any attempts to group such securities as part of a good book evaluation using the applicable defining portfolio characteristics in Paragraph B1 of the Supplements would be arbitrary, operationally cumbersome, and would not provide useful information to users of our financial statements. In many instances, we believe application of the proposed model would result in portfolios limited to a single issuer to encompass these risk characteristics. We do not believe the application of the portfolio concepts of the “good book” to a single issuer (or even a small group of issuers) accomplishes the goals of the proposed impairment model, as developing meaningful loss estimates requires a large number of individual borrowers.

Grouping debt securities into portfolios is not consistent with the way we and others in our industry manage such assets. As summarized above, we manage our debt securities portfolio to match insurance liabilities on a cash flow and duration basis. We do manage overall credit risk through industry diversification, but do not believe that segregating debt securities by industry alone would be sufficient due to different issuer fundamentals and credit quality, seniority, maturities, and other factors specific to each issuer.

In addition to the challenges discussed above, which generally apply to corporate debt, we believe grouping of sovereign debt under the proposed good book methodology (beyond designating a portfolio as exposure to one particular governmental entity) would also be arbitrary. If such securities are subjected to the proposed impairment model, we believe additional guidance is needed to determine how a diverse portfolio of sovereign debt and other governmental holdings (municipality bonds, etc.) would be grouped and evaluated on a collective basis.

MetLife Recommendations for Recognizing Credit Losses on Debt Securities

We believe the existing U.S. GAAP debt security impairment model, as modified by the FASB Staff Positions issued in 2009, is working and is understood by users of financial statements. This current model emphasizes cash flows expected to be collected and states that entities should not wait for an event of default or other cash shortfall to conclude that some or all cash flows are not likely to be collected.

In addition, we believe that the price transparency of debt securities can provide further information to users of financial statements regardless of whether or not an entity's management concludes that such securities have incurred credit impairments. As such, we support recent FASB re-deliberations on financial instrument measurement and continue to believe that fair value with changes in fair value reported in other comprehensive income ("FV-OCI") is the most appropriate measurement attribute for most debt securities (provided an entity's business strategy primarily involves the collection of interest and principal), resulting in both realized credit impairment losses and temporary unrealized gains and losses being reflected on an entity's balance sheet.

MetLife Recommendations for Recognizing Credit Losses on Other Financial Assets

Under a principles-based approach, which would consider an entity's business strategies and activities, availability of information, and quantitative data (number of investments, average investment, etc.), an entity would determine if it manages credit risk at the individual financial asset level or a portfolio level for all of its financial assets.

We believe that financial assets managed on an individual basis should be evaluated for credit impairment on an individual basis, aligning how an entity manages, monitors and evaluates these financial assets. We believe such an approach would be consistent with the principles of the overall FASB/IASB financial instruments project, with the symmetry between an entity's business strategies and the measurement attributes for financial assets and liabilities.

We believe that a model similar to the current U.S. GAAP debt security credit impairment model should be applied to financial assets for which the credit risk is managed by an entity on an individual basis. Thus, for such individually evaluated financial assets, credit impairment would be recognized once there is an expectation of any credit loss (similar to financial assets in an entity's "bad book"), alleviating "too little, too late" concerns. Enhancements to the current U.S. GAAP model (such as a provision to continuously revise credit impairments upon positive or negative changes in expected cash flows and disclosure requirements) could address inconsistencies between the existing debt security model and the credit impairment model in the Supplements.

For financial assets managed at a portfolio level, an entity would apply the "good book" / "bad book" methodology consistent with the Supplements. We agree with the collectability principle outlined in paragraph 3 of the Supplements, which would provide guidance on whether to use the "good book" or "bad book" methodology for financial assets in a portfolio.

We recognize that this recommendation, aligning how an entity manages credit risk with its impairment evaluation methodology, could reduce comparability within and across industries. We believe that the benefits outweigh the costs and are supportive of disclosures in the notes to the financial statements to outline an entity's credit risk management strategy and credit impairment methodology by asset class.

3. Do you agree that for financial assets in the ‘good book’ it is appropriate to recognize the impairment allowance using the proposed approach described above? Why or why not?

We generally agree with the good book impairment methodology as described in the Supplements for financial assets managed in open or closed portfolios.

4. Would the proposed approach to determining the impairment allowance on a time-proportional basis be operational? Why or why not?

We believe the proposed time-proportional approach is operational for financial assets managed in open or closed portfolios. The data points required to calculate the impairment allowance are currently available.

As discussed in our response to Question No. 2, we do not believe the proposed approach is suitable for debt securities managed on an individual basis.

5. Would the proposed approach provide information that is useful for decision-making? If not, how would you modify the proposal?

We believe the proposed approach would provide information that is useful for decision-making for financial assets managed in open or closed portfolios. With the introduction of any principles-based guidance, comparability across entities is an issue. However, we believe that clear footnote disclosures of assumptions and policies (time periods used for the foreseeable future, election of straight-line or annuity approach, using discounted or undiscounted amounts, etc.) will mitigate most of these concerns.

6. Is the proposed requirement to differentiate between the two groups (ie ‘good book’ and ‘bad book’) for the purpose of determining the impairment allowance clearly described? If not, how could it be described more clearly?

We believe the proposed requirement to differentiate between the two groups for the purpose of determining the impairment allowance is clearly described.

7. Is the proposed requirement to differentiate between the two groups (ie ‘good book’ and ‘bad book’) for the purpose of determining the impairment allowance operational and/or auditable? If not, how could it be made more operational and/or auditable?

As discussed in our response to Question No. 2, we believe the application of the proposed impairment model to individually evaluated financial assets such as debt securities is flawed as it is not consistent with the way we and others in our industry manage such assets.

However, for financial assets managed in open or closed portfolios (generally loans), we believe the proposed requirement to differentiate between the good book and bad book is operational and consistent with the requirements of current accounting guidance.

8. Do you agree with the proposed requirement to differentiate between the two groups (ie ‘good book’ and ‘bad book’) for the purpose of determining the impairment allowance? If not, what requirement would you propose and why?

We agree with the proposed requirement to differentiate between the good book and bad book for the purpose of determining the impairment allowance for financial assets managed in open or closed portfolios.

9. The boards are seeking comment with respect to the minimum allowance amount (floor) that would be required under this proposed model. Specifically, on the following issues:

- a) **Do you agree with the proposal to require a floor for the impairment allowance related to the ‘good book’? Why or why not?**
- b) **Alternatively, do you believe that an entity should be required to invoke a floor for the impairment allowance related to the ‘good book’ only in circumstances in which there is evidence of an early loss pattern?**
- c) **If you agree with a proposed minimum allowance amount, do you further agree that it should be determined on the basis of losses expected to occur within the foreseeable future (and no less than twelve months)? Why or why not? If you disagree, how would you prefer the minimum allowance to be determined and why?**
- d) **For the foreseeable future, would the period considered in developing the expected loss estimate change on the basis of changes in economic conditions?**
- e) **Do you believe that the foreseeable future period (for purposes of a credit impairment model) is typically a period greater than twelve months? Why or why not? Please provide data to support your response, including details of particular portfolios for which you believe this will be the case.**
- f) **If you agree that the foreseeable future is typically a period greater than twelve months, in order to facilitate comparability, do you believe that a ‘ceiling’ should be established for determined the amount of credit impairment to be recognized under the ‘floor’ requirement (for example, no more than three years after an entity’s reporting date)? If so, please provide data and/or reasons to support your response.**

We are generally supportive of the floor that would be required under the Supplements for financial assets managed in open or closed portfolios. We agree with the principles-based approach in determining the foreseeable future provided it is no less than twelve months, and believe the time horizon could vary over time depending on where an entity is in the economic cycle. In that context, we do not support a “ceiling” based on an arbitrary bright-line (such as three years).

10. Do you believe that the floor will typically be equal to or higher than the amount calculated in accordance with paragraph 2(a)(i)? Please provide data and/or reasons to support your response, including details of particular portfolios for which you believe this will be the case.

Evaluating if the floor would be equal to or higher than the time-proportional approach would depend on different factors including the asset type, its loss pattern, the determination of the foreseeable future, and the weighted-average age of the portfolio. Due to the short exposure period of the Supplements, we have not determined if the floor would be equal to or higher than the time-proportional approach.

11. The boards are seeking comment with respect to the flexibility related to using discounted amounts. Specifically, on the following issues:

- a) Do you agree with the flexibility permitted to use either a discounted or undiscounted estimate when applying the proposed approach described in paragraph B8(a)? Why or why not?**
- b) Do you agree with permitting flexibility in the selection of a discount rate when using a discounted expected loss amount? Why or why not?**

We are supportive of the flexibility provided with respect to using undiscounted or discounted amounts in the calculation of the time-proportionate allowance. However, in an effort to increase comparability, we would not be opposed if the FASB/IASB eliminated this flexibility and agreed on one option.

12. Would you prefer the IASB's approach for open portfolios of financial assets measured at amortized cost to the common proposal in this document? Why or why not? If you would not prefer this specific approach, do you prefer the general concept of the IASB's approach (ie to recognize expected credit losses over the life of the assets)? Why or why not?

No. We prefer the jointly proposed model by the FASB and IASB to the individual IASB and FASB approaches and believe it is a reasonable common solution which partially satisfies each of the FASB and IASB individual objectives.

13. Would you prefer the FASB's approach for assets in the scope of this document to the common proposal in this document? Why or why not? If you would not prefer this specific approach, do you prefer the general concept of the FASB's approach (ie to recognize currently credit losses expected to occur in the foreseeable future)? Why or why not?

See our response to Question No. 12 above.

Responses to IASB-only Appendix Z Questions

14Z. Do you agree that the determination of the effective interest rate should be separate from the consideration of expected losses, as opposed to the original IASB proposal, which incorporated expected credit losses in the calculation of the effective interest rate? Why or why not?

We agree with the feedback received by the IASB that the determination of the effective interest rate should be separate from the consideration of expected losses.

15Z. Should all loan commitments that are not accounted for at fair value through profit or loss (whether within the scope of IAS 39 and IFRS 9 or IAS 37) be subject to the impairment requirements proposed in the supplementary document? Why or why not?

To the extent such loan commitments are managed in open or closed portfolios, we agree that they could be subject to the impairment requirements in the Supplements.

16Z. Would the proposed requirements be operational if applied to loan commitments and financial guarantee contracts? Why or why not?

We believe the proposed requirements in the Supplements would be operational if applied to loan commitments and financial guarantee projects managed in open or closed portfolios.

17Z. Do you agree with the proposed presentation requirements? If not, what presentation do you prefer instead and why?

We agree with the proposed presentation requirements to present interest revenue and impairment losses separately in the statement of comprehensive income.

18Z. Do you agree with the proposed disclosure requirements? If not, which disclosure requirements do you disagree with and why? What other disclosures would you prefer (whether in addition to or instead of the proposed disclosures) for the proposed impairment model and why?

We believe it would be more suitable to comment on proposed disclosure requirements in the context of a comprehensive exposure draft after re-deliberations by both Boards, as opposed to only impairment issues discussed in the Supplements. We also believe the IASB could leverage off of ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, in the development of its disclosure requirements.

19Z. Do you agree with the proposal to transfer an amount of the related allowance reflecting the age of the financial asset when transferring financial assets between the two groups? Why or why not? If not, would you instead prefer to transfer all or none of the expected credit loss of the financial asset?

The “good book” and “bad book” allowances would be calculated at each reporting date regardless of transfers between the groups. We agree that the disclosure of the amount of such transfers can provide useful information to users of financial statements, and we would not be opposed to any reasonable transfer method provided it is not overly complex.