April 28, 2011

Sir David Tweedie
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

Ms. Leslie F. Seidman
Chairman
Financial Accounting Standards Board (FASB)
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: FASB Exposure Draft – *Offsetting*
IASB Exposure Draft – *Offsetting Financial Assets and Financial Liabilities*
File Reference No. 2011-100

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

MetLife, Inc. (MetLife) appreciates the opportunity to provide comments on the FASB Exposure Draft – *Offsetting* and the IASB Exposure Draft – *Offsetting Financial Assets and Financial Liabilities* (collectively referred to as the “ED”). 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 the Boards’ issuance of the ED in their efforts to address differences in the offsetting requirements in U.S. GAAP and IFRS which have represented a significant quantitative difference in the amounts presented in statements of financial position prepared under U.S. GAAP and IFRS. We are pleased that the Boards developed the proposal jointly.

However, we are concerned with the offsetting criteria in the ED, specifically as they relate to derivative instruments. We do not believe that gross presentation would provide more useful information with respect to liquidity risk. The gross fair value assets and liabilities for a portfolio of derivative instruments incorporate expected payments for varying amounts (in different directions) in one or more future periods. In order to provide any relevant information about liquidity, both gross and net amounts would need to be considered in conjunction with footnote disclosures.
When a master netting agreement is in place, credit risk is clearly evaluated by entities on a net basis and collateral posting requirements are determined accordingly. In the event of default, credit risk effectively becomes a component of liquidity risk. During the recent financial crisis, a key derivatives counterparty defaulted and a net asset or liability was the most representative presentation of exposure, as it was the ultimate settlement amount. Thus, the net amount represented the true credit and liquidity risk associated with the counterparty. Therefore, we believe that net presentation for derivative instruments would provide a closer alignment between an entity’s statement of financial position and how such instruments are managed.

If the Boards reconsider the offsetting criteria such that the fair value assets and liabilities related to derivative instruments qualify for offsetting, we believe any receivables or payables related to the posting or receipt of cash collateral should be offset against such derivative assets and liabilities consistent with current U.S. GAAP guidance. In our opinion, such practice best presents the overall net credit risk exposure under a master netting agreement.

For other eligible assets and liabilities, we believe presentation gross or net based on the nature and function of the instruments (the business model) would achieve a principles-based approach consistent with other converging guidance. We also believe this is consistent with the financial statement framework currently being developed by the Boards. We do not believe that presenting assets and liabilities gross or net on the statement of financial position based strictly on the presence or absence of an unconditional right of offset, without taking into consideration the nature and function of those eligible assets and liabilities, is consistent with the principles set out in the Staff Draft (Staff Draft of an Exposure Draft on Financial Statement Presentation, July 1, 2010).

Regardless of the final offsetting criteria selected by the Boards, we do not believe that users of financial statements would be harmed if the optionality that exists under current U.S. GAAP was retained. As discussed in the summary of the ED, the Boards found no consensus among users in outreach activities on the usefulness of presenting gross or net information in the statement of financial position. Consensus among users was that both gross and net amounts resulting from offsetting are useful. We agree and generally support the proposed disclosure requirements that would enable users of financial statements to properly assess an entity’s future cash flows, liquidity and credit risk.

The comments above do not take into consideration the potential impact from the developments in the insurance contracts accounting project. The final conclusions in that project could impact the classification and/or presentation of certain contracts currently permitted to be presented on a net basis (i.e., the reinsurance receivable and the related deposit or funds withheld on a modified coinsurance contract). This may need some consideration in the development of the final offsetting guidance. To the extent that the scope of these two projects overlap, we recommend that the mandatory effective date for any changes to the offsetting guidance as it pertains to insurance contracts be aligned with the mandatory effective date of the proposed insurance contracts standard.

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,

[Signature]

Peter M. Carlson