July 13, 2018

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Effective Date of Proposed Accounting Standards Update, Targeted Improvements to the Accounting for Long-Duration Insurance Contracts

Brighthouse Financial, Inc. ("Brighthouse Financial") appreciates the efforts of the Financial Accounting Standards Board (the "FASB") to make improvements to accounting for long-duration insurance contracts. Brighthouse Financial is a new public company established by MetLife, Inc. ("MetLife") and a major provider of annuity products and life insurance in the United States. We are writing to request that the FASB delay the effective date of the final standard for public companies to January 1, 2022.

The effective date of January 1, 2021 that was communicated at the June 6, 2018 FASB meeting is unlikely to be enough time to allow insurance companies to implement the new guidance without potentially incurring significant incremental costs and creating operational and financial statement risks to such organizations. Brighthouse Financial has been undergoing an organizational transformation over the past two years in connection with our separation from MetLife, which includes transitioning to new actuarial and other IT systems, overhauling operational processes and controls, and developing new metrics to understand and explain our business. We view implementing the exposure draft in this same lens, an organization-wide transformation that will occur in multiple phases with many interdependencies. As such, we discuss below the various steps of implementation, expected timing and potential roadblocks to an effective implementation.

Identification and Collection of Historical Policy Data

We have variable annuity contracts with guarantees issued up to twenty years ago. While guarantees on these products can generally be broken into a small number of categories, the actual number of cohorts we need to identify is estimated to be in the range of 700-800. Our variable annuity contract portfolio contains many different versions of guarantees, each with their own unique risks and cost structure, that will have to be measured separately under the new standard. Additionally, our guaranteed minimum death benefits are not currently measured at fair value, so we do not have the benefit of established inputs required to set the initial reserve assumptions. The process of identifying and collecting data for our variable annuity cohorts will be extremely cumbersome and we estimate that it may take several months to complete.

We also have a significant number of products with liability assumptions that have been locked in at issue that will need to be updated when the new guidance becomes effective. The new guidance
requires liabilities to be aggregated by issue year, and prohibits the net premium ratio to exceed 100% for individual issue-year cohorts. We do not currently measure liabilities for these products on a cohort basis, so we would need to establish appropriate processes, which could also take several months.

**System Changes**

We expect that the most time-consuming part of implementing the new guidance will be programming our actuarial and other systems to accommodate the new accounting and disclosure requirements. We are in process of moving our insurance liabilities to new systems, and the lifecycle of a system change for our largest product is about twelve months. The lifecycle of making multiple system changes will be significantly longer, estimated at between eighteen to twenty-four months, because all systems cannot be updated at the same time. Additionally, we depend on external consultants for system changes and are concerned that the availability of suitable consultants will likely be limited as we will be competing with the other companies in our industry for qualified outside help. Therefore, we will likely need to obtain alternative resources for implementation, which ultimately leads to higher costs and decreased shareholder value. We believe the system changes alone, will put significant pressure on the timeline proposed by the FASB.

**Developing Financial and Operational Controls**

When the system changes described above are completed, companies will need to develop new controls, which will encompass identifying financial statement and operational risks, designing controls and processes to mitigate those risks and testing those controls and processes to ensure they are operating effectively. The areas for which processes and controls will need updating are not limited to actuarial systems, but also include new models and processes necessary for the required discount rate curves and disclosures, as well as general ledger and other systems that are fed data by the actuarial systems. As part of our separation from MetLife and related organizational transformation initiatives, we have been developing and testing new and modified processes and controls, and we can speak from experience that these changes take several months to implement effectively. The controls and processes must be tested by both internal and external auditors during at least one financial reporting cycle, and given the complexity of the changes, preferably two. If the timeline to design, implement and test these controls is compressed (as it will be with a 2021 effective date), this could lead to financial statement errors or a material weakness over financial reporting.

**Other Implementation Considerations**

There are numerous steps over the lifecycle of implementation that will add to the time needed to complete the project and potentially cause delays. At Brighthouse Financial, we are facing new statutory accounting and risk based capital guidance for variable annuity reserves that will require developing, implementing and testing actuarial models and related system changes for this product. We believe the bulk of this work will occur in 2019 and will further constrain resources that would otherwise be available to implement the new FASB guidance. We also believe that implementation issues and questions on application of the new guidance are likely to occur. As we have seen with other FASB projects such as revenue recognition, leases and expected credit losses, these types of issues often delay the implementation timeline, as system changes cannot
be made until the technical requirements are clear. We also note the FASB provided more time to implement these projects than the proposed changes to accounting for insurance contracts.

In summary, the proposed changes to accounting for insurance contracts, while characterized as “targeted improvements” by the FASB, will require a significant amount of effort and resources over a multi-year timeline. While it may be possible to implement the new guidance by January 1, 2021, we urge the FASB to delay the effective date for an additional year, to allow companies to make the changes in measured and well-controlled environment without incurring excessive costs and creating undue financial and operational risks.

If the FASB has any questions about our letter or would like to discuss our concerns in more detail, please feel free to contact me at (980) 365-7426 or ldumais@brighthousefinancial.com.

Sincerely,

[Signature]

Lynn Dumais, Chief Accounting Officer