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Ms. Suzanne Q. Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, Connecticut 06856-5116

RE: Exposure Draft on the Proposed Statement of Financial Accounting Standards, Fair Value Measurements

File Reference No. 1201-100

Dear Ms. Bielstein:

MetLife, Inc. (MetLife) appreciates the opportunity to comment on the Exposure Draft Proposal on Fair Value Measurements (ED). This letter addresses certain issues in which the Financial Accounting Standards Board has requested input. This response does **not** address our issues or concerns related to the measurement of insurance liabilities, which may eventually be included in the scope of this ED, based on the outcome of certain FASB projects. Our views on such issues will be addressed in the Group of North American Insurance Enterprise's (GNAIE) comment letter of which we are an active member.

Our response will address certain issues outlined in the "Notice for Recipients of This Exposure Draft" as it specifically impacts MetLife.

Active Markets

Issue 3: This proposed Statement would clarify that valuation techniques used to estimate fair value should emphasize market inputs, including those derived from active markets. In this proposed Statement, active markets are those in which quoted prices are readily and regularly available; *readily available* means that pricing information is currently accessible and *regularly available* means that transactions occur with sufficient frequency to provide pricing information on an ongoing basis. Is that guidance sufficient? If not, what additional guidance is needed?

Response to Issue 3: This issue needs clarification as it relates to the use of independent third party market pricing vendors such as FT Interactive Data. These vendors use current market data to determine the appropriate spreads to apply to each individual security in calculating the fair market value. One could argue that these vendors do use market inputs, direct quotes of recently traded securities and apply these parameters to securities with similarly rating, seniority structure, industry sector and maturity in determining fair value. If this current industry practice would be viewed as a Level 3 valuation, this may cause misconceptions to readers of the financial statements since vendor pricing may be categorized differently among companies. (See response to Issue 11 for further discussion.) Therefore, Level 1 valuations should be expanded to include the use of independent third party pricing vendors.

Level 3 Estimates

Issue 9: This proposed Statement would require that in the absence of quoted prices for identical or similar assets or liabilities in active markets, fair value be estimated using multiple valuation techniques consistent with the market approach, income approach, and cost approach whenever the information necessary to apply those techniques is available without undue cost and effort (Level 3 estimates). Appendix B provides general guidance for applying multiple valuation techniques (Examples 6–8). Is that guidance sufficient? If not, what additional guidance is needed?

Response to Issue 9: Requiring companies to use all three approaches is a requirement that we feel is inappropriate. Companies should inherently be able to use the appropriate techniques as it is applied to each scenario without being required to use multiple techniques. Prudence should be utilized if it is deemed necessary to apply additional techniques to further support a value, but in many cases the different approaches can lead to much different answers which then need to be further supported. Example 7 in Appendix B used an income approach, which resulted in a fair value of \$15 million and used a cost approach, which resulted in \$1 million fair value. Based on the reasons provided in the example the income approach is a better measurement; therefore why would one calculate fair value using a cost approach “when it does not consider all costs necessary to replace an item.” In that example, the company would now need to justify to their auditors why the approach using the much higher value is more reasonable than the lower value which can create undue costs and effort in the reconciliation process. Requiring multiple valuation techniques also gives a mechanism for companies to manipulate their financial statements by supporting or justifying a value that is favorable for the company based on the subjectivity and variability of the results caused by the different valuation approaches as opposed to just selecting the most appropriate technique.

In paragraphs 23 through 25 of SFAS 142, guidance is provided in determining fair values of reporting entities for purposes of an impairment test. It provides general guidance on which present value techniques are appropriate under different circumstances. The approach is similar to the Fair Value Hierarchy levels described in

the ED. However, it does not require using multiple valuation techniques. We believe the guidance in SFAS 142 provides a more logical approach towards valuation.

MetLife currently has a portfolio of AFS securities, which principally consist of fixed income maturities. Many of these securities are not priced using quoted market prices as described in Level 1, nor do they meet the criteria in Level II. Such securities are valued based on a vendor-pricing matrix, which we believe under the current ED would place it in a Level III category. Assuming the Level I definition is not modified as we suggest in response to Issue 3, such a pricing model is generally accepted in the industry and is an appropriate way of valuing securities given our current environment. Therefore, why should we consider applying multiple techniques regardless of the cost and effort involved.

In conclusion, the requirement to use multiple techniques should be removed from the document and replaced with the most appropriate technique. If such a modification is not made, then more guidance will be needed in defining "undue cost and effort" and it should be delineated from the concept of not using a present value technique because it is not the best approach.

Fair Value Disclosures

Issue 11: This proposed Statement would require expanded disclosures about the use of fair value to remeasure assets and liabilities recognized in the statement of financial position. Appendix B illustrates those disclosures. This proposed Statement also would encourage disclosures about other similar remeasurements that, like fair value, represent current amounts. The Board concluded that those disclosures would improve the quality of information provided to users of financial statements. Do you agree? If not, why not?

Response to Issue 11:

The main concern of this issue is the subjectiveness of the categorization of the different levels. As mentioned above, we believe many of our AFS securities are a category Level III for the reasons described in responses to issue #3 and #9. However, other companies may argue using similar techniques that such a value is a quoted price from an active market since it is derived from vendor pricing. (Again this assumes that vendor pricing is not explicitly included in the final draft as a Level I.) Such inconsistencies will confuse the users of the financial statements and cause a lack of comparability among companies.

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
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