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Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
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April 30, 2015

**Re: Exposure Draft – Derivatives and Hedging (Topic 815): Disclosures about Hybrid Financial Instruments with Bifurcated Embedded Derivatives  
File Reference No. 2015-220**

Dear Ms. Cospers:

MetLife, Inc. (“MetLife” or “we”) appreciates the opportunity to provide comments on the FASB’s Exposure Draft, *Derivatives and Hedging (Topic 815): Disclosures about Hybrid Financial Instruments with Bifurcated Embedded Derivatives* (the “Exposure Draft”). MetLife, through its subsidiaries and affiliates, is a global provider of life insurance, annuities, employee benefits and asset management. Serving approximately 100 million customers, MetLife has operations in nearly 50 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

We have several significant concerns with the scope of the Exposure Draft, specifically in applying the proposed disclosures to contracts accounted for in part under ASC 944, *Financial Services – Insurance*. For MetLife, relevant contracts would include certain variable annuity contracts with guaranteed minimum benefits accounted for as bifurcated embedded derivatives and certain reinsurance contracts.

***Scope of the Exposure Draft and related operational concerns***

With respect to variable annuity contracts, there is significant diversity in practice in accounting for certain guaranteed minimum withdrawal benefits. This diversity has two causes: (1) differences in product terms offered by the industry and (2) varying interpretations of accounting guidance regarding product features that are insurance benefits under ASC 944 and product features that are embedded derivatives under ASC 815. We are hopeful that the latter will be addressed as part of the Board’s ongoing targeted improvements project for long duration insurance contracts, but until then the Exposure Draft would produce non-comparable disclosures across insurance companies for essentially the same or very similar products.

In addition, applying the disclosure requirements in their proposed tabular form to bifurcated embedded derivatives in variable annuity contracts would not be operational. We account for variable annuity contracts with bifurcated embedded derivatives in as many as three separate line items on our consolidated balance sheet: (1) separate account liabilities reflecting the policyholder's account value, (2) future policy benefits reflecting any death benefits or other benefits not accounted for as embedded derivatives available under the contract, and (3) policyholder account balances for the guarantees accounted for as embedded derivatives. The complexity of the accounting for these contracts makes the proposed disclosure requirement very difficult to implement and less likely to provide decision-useful information to users.

We are also concerned with the inclusion of bifurcated embedded derivatives associated with certain reinsurance agreements, particularly for the reinsurer. Unlike embedded derivatives that are typically contained in debt and equity hosts as additional features of the host contracts, embedded derivatives associated with insurance contracts typically take the form of riders sold in conjunction with the insurance contracts. An insurer may cede its exposure to the riders, but not the host insurance contracts, to a reinsurer. Provided they meet the embedded derivative criteria in ASC 815, the riders would be bifurcated from the host insurance contracts and accounted for as embedded derivatives by the reinsurer while the host insurance contracts remain on the books of the ceding company. It would be operationally difficult for the reinsurer to make concise decision-useful disclosures as provided in the Exposure Draft under this and other scenarios involving such products.

### ***Decision-useful information***

In addition to the operational concerns highlighted above, we are also concerned that the Exposure Draft will not provide any incremental decision-useful information for insurance companies issuing insurance and reinsurance contracts that contain bifurcated embedded derivatives.

For embedded derivatives associated with insurance and reinsurance contracts, these proposed disclosures need to be examined in conjunction with other existing disclosure requirements. For example, insurers are already disclosing (1) net amount at risk, average policyholder age and other details under ASC 944, (2) fair value disclosures for bifurcated embedded derivatives under ASC 820, *Fair Value Measurement*, and (3) existing embedded derivative disclosures under ASC 815. Disclosures under ASC 944 relate to various guarantees contained in our insurance contracts; some are accounted for as bifurcated embedded derivatives and others are accounted for under ASC 944. Additionally, as a public company, we provide further disclosure to inform users of our consolidated financial statements of the overall economics and cash flows of our insurance contracts in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") sections of our filings with the United States Securities and Exchange Commission. These disclosures in the MD&A also encompass both guarantees accounted for under ASC 944 and those accounted for as bifurcated embedded derivatives. Merely combining the "related host contract" with the bifurcated embedded derivatives for insurance contracts in a tabular format without the context of the aforementioned disclosures or further details of how the insurance contracts are managed will not provide decision-useful information.

We also note that only those contracts with features accounted for as bifurcated embedded derivatives would be included in the suggested tabular format. This may lead to a need for insurers to reconcile these proposed disclosures to their overall insurance contract portfolios (i.e., those with insurance contracts with similar features not accounted for as bifurcated embedded derivatives) to avoid any possibility that financial statement users overly rely on, or are potentially misled by, the figures in the table.

***The fair value option***

The Board should further consider the interaction of the fair value option (“FVO”) with the Exposure Draft. For certain financial instruments on our balance sheet, we have elected the FVO for financial assets and/or liabilities that would otherwise contain bifurcated embedded derivatives. This accounting policy decision would result in those instruments being out of scope of the proposed disclosure requirements. This would, in our opinion, have the effect of removing from scope the very instruments the Board intended to include, while including unintended items such as insurance and reinsurance contracts.

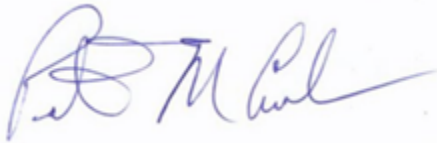
***Suggested improvements to the Exposure Draft***

We strongly encourage the Board to consider scoping out hybrid financial instruments with bifurcated embedded derivatives that are accounted for in part under ASC 944. We do not believe the benefits to users exceed the costs and have serious concerns with respect to their presentation in a tabular format as prescribed in the Exposure Draft. Any disclosure enhancements for contracts within the scope of ASC 944 should be further considered as part of the long duration insurance contracts targeted improvements project.

Absent a scope out of insurance, we would request additional clarification in applying the proposed disclosure requirements to variable annuity and reinsurance contracts. Additional guidance or examples specific to insurance contracts and what constitutes the “related host contract” would be helpful to preparers and users of financial statements.

We appreciate the opportunity to comment on the Exposure Draft and offer our perspective. We have also attached our responses to the questions contained in the Exposure Draft. If you have any questions on the contents of this letter or would like to meet to discuss any of our concerns, please do not hesitate to call me.

Sincerely,



Peter M. Carlson

cc: John C.R. Hele  
Executive Vice President and  
Chief Financial Officer

## Appendix

Set forth below are our specific comments with respect to the questions in the Exposure Draft.

**Question 1: Will the amendments in this proposed Update result in more transparent, decision-useful information about hybrid financial instruments with bifurcated embedded derivatives? If not, please explain why.**

No, we do not believe the proposed disclosures would result in more transparent, decision-useful information for the reasons outlined in our letter. The primary instruments in scope for insurers would be variable annuity contracts with certain guaranteed minimum benefits, certain reinsurance contracts, and equity-indexed universal life and annuity contracts. Given the complexity of liability components associated with these instruments, the costs against its limited benefits, and the ongoing targeted improvements project for insurance accounting, insurance contracts should be scoped out of the requirements of this Exposure Draft.

**Question 2: Should the scope of the amendments in this proposed Update be extended to include nonfinancial hybrid instruments with embedded derivatives that require bifurcation under Topic 815? If yes, please explain why and identify any other instruments that should be included in the proposed amendments.**

We do not have exposure to such nonfinancial hybrid instruments, and thus do not have an opinion on that issue.

**Question 3: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?**

As discussed in our letter above, the proposed disclosure requirements are not operational given the complexity of insurance liabilities. The tabular format example in ASC 815-10-55-183A may function well for “plain vanilla” instruments such as convertible bonds, but it would not be operational for insurers to explain the multiple balance sheet line items impacted and their measurement attributes in the suggested format. Additionally, only a subset of insurance contracts would be within the scope of the proposed disclosures, with further explanation required so users of insurance company financial statements do not misinterpret the risks.

**Question 4: The proposed amendments would apply to all entities. Should the proposed amendments be different for entities that are not public business entities? If so, please describe how and why you think they should be different.**

We do not believe the benefits of the proposed disclosures would be significant for most entities. As discussed above, the FVO is elected for many instruments in scope.

**Question 5: How much time would be needed to implement the proposed guidance? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?**

We do not believe the time needed to implement the proposed disclosures is overly prohibitive for public or private entities. As discussed above, we do not believe the proposed disclosures would provide significant benefits to users of insurance company financial statements, nor are disclosures of insurance contracts in the suggested format operational.