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Office of Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

November 3, 2014

Re: Request for Public Comment: Staff Consultation Paper, *Auditing Accounting Estimates and Fair Value Measurements*

Dear Office of the Secretary:

MetLife, Inc. ("MetLife" and "we") appreciates the opportunity to provide comments on the Public Company Accounting Oversight Board's ("PCAOB") Staff Consultation Paper, *Auditing Accounting Estimates and Fair Value Measurements* (the "Consultation Paper"). MetLife is a leading global provider of insurance, annuities and employee benefit programs. Through its subsidiaries and affiliates, MetLife holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

MetLife supports the PCAOB's overall effort to undertake standard-setting initiatives to consider certain enhancements to improve the auditing of accounting estimates and fair value measurements. We are in agreement with developing a new single standard that addresses auditing fair value measurements, which will supersede the existing auditing standards. We believe that the existing auditing standards on fair value measurement (AU sec. 328) and derivative instruments, hedging activities, and investments in securities (AU sec. 332) should be replaced with a single new standard that combines and retains most of the guidance and requirements contained in the existing standards, especially with respect to requirements on the risk assessments, with certain targeted improvements, because:

- Most securities and derivative instruments are required to be measured at fair value, with such measurements determined in accordance with Accounting Standards Codification ("ASC") Topic 820.

- While the fair value measurements of certain securities and derivative instruments can be complex, the methodology and techniques are generally consistent with those required in determining the fair value of other financial instruments under Topic 820.

- The development of a single standard should reduce inconsistencies and complexity.

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While we support the development of a single standard providing auditing guidance and requirements for fair value measurements, we do not believe that accounting estimates should be included in the same standard. The inputs used to determine fair value measurements typically involve capital market assumptions such as interest rates, equity pricing, credit spreads and foreign exchange rates. Fair value measurements of financial instruments, based largely on these capital market inputs, have a standardized approach and methodology that is generally well-understood as specified under Topic 820.

The inputs used to determine accounting estimates can vary significantly and include a broad range of macro or micro environment factors, industry- or entity-specific factors, and other inputs depending on the nature of the accounting estimate. Additionally, we believe that the determination of accounting estimates included in financial statements is dependent to a larger degree on management's judgment based on its experience and knowledge about past and current events.

With respect to accounting estimates, we believe that the current standards contained in AU sec. 342, Auditing Accounting Estimates, should be retained, but can be enhanced with refinements on establishing specific requirements for risk assessments and auditor's responses. Specifically, we are in agreement that the enhanced standard should:

- Continue to perform risk identification and assessment procedures in accordance with Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement* (AS 12).

- Continue to perform procedures in accordance with Auditing Standard No. 13, *The Auditor's Responses to the Risks of Material Misstatement* (AS 13), to design and implement an audit response to the identified and assessed risks.

- Include most of the proposals that the Staff raised in the Consultation Paper with respect to the alignment with the risk assessment standards and substantive procedures for testing accounting estimates as targeted improvement to the current AU sec. 342, with the exception that the Staff should not consider requiring the auditors to identify assumptions that are not used by the management, which might be important to the recognition or measurement of the accounting estimates. We believe the auditor's responsibility should be limited to appropriately assessing the reasonableness of the accounting estimates made by the management. While auditors should have the responsibility to suggest any important assumptions that might have been overlooked by the management based on its auditing experience and expertise, such suggestions would not be considered as a requirement.

We acknowledge that the use of third parties for significant accounting estimates and fair value measurements has been a widely adopted approach in financial statement preparation. Often times, especially in the valuation of certain financial instruments, auditors and companies may use the same third party sources to derive certain significant unobservable inputs for valuation determination. We noticed that the Staff proposed evaluating the audit evidence obtained by third parties as if it were produced by companies, if auditors and companies use the same third party sources. However, we believe that this would be very challenging. Financial institutions, such as MetLife, may use third party sources when they lack information with respect to unobservable inputs, or use sources that have access to or have developed proprietary market information or models to properly value financial instruments. Requiring auditors to evaluate this information as if it were produced by companies would be impractical, given companies utilize information from third party sources in instances where they may lack the ability to obtain reliable information with respect to certain unobservable inputs.

We encourage the Staff to consider alleviating the evaluation of the audit evidence obtained by third parties if the companies and auditors were to choose the same third parties as their sources of pricing or other valuation input. This would also encourage companies to use the most accredited, well experienced third parties as its sources of information in developing significant accounting estimates and fair value measurements.

Additionally, certain significant accounting estimates, especially those used in the determination of insurance liabilities, are often obtained from large, reputable third party sources as a result of widely recognized industry studies. Imposing auditing guidelines that require auditors to use different third party sources to obtain similar information may not be practicable and would raise significant cost benefit concerns.

Furthermore, some of the proposals made in the Consultation Paper with respect to third party sources seem to impose a heavy administrative burden on both companies and auditors, which may not justify the benefit it might bring. Examples include the demonstration of whether: (1) a broker quote is from a market maker who transacts in the same type of financial instrument, (2) how transactions are identified and considered comparable and (3) whether fair values are based on trades of the same instrument or active market quotations. We believe that many of these criteria are either a matter of fact or can be evidenced if auditors and companies chose the same third party sources.

We appreciate the opportunity to comment on the Consultation Paper and offer our perspective. If you have any questions on the contents of this letter, please do not hesitate to call me.

Sincerely,

Peter M. Carlson

cc: John C. R. Hele
Executive Vice President and
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Karl Erhardt
Senior Vice President and
General Auditor