

Board of Governors of the Federal Reserve System



Policy Impact Survey—FR 3075

This information collection is generally authorized under sections 2A and 12A of the Federal Reserve Act (12 U.S.C. 225(a) and 263). Additionally, depending upon the survey respondent, the information collection may be authorized under a more specific statute.

The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

Survey Details

Exercise:	Quantitative Impact Survey for Firms Substantially Engaged In Insurance Underwriting Activities
Submission Date:	December 31, 2014
Reporting Form:	QIS Reporting Template.xls; Supplemental Response Document.doc
Instructions:	QIS Instructions.pdf

**Quantitative Impact Study Instructions
for Firms Substantially Engaged in
Insurance Underwriting Activities**

September 30, 2014

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Table of Contents

Quantitative Impact Study General Instructions	3
A. General Information.....	3
B. Parts I and II of the QIS	4
C. Part III: Separate Account Data	5
D. Part IV: State-based or Foreign Equivalent Minimum Risk-based Capital Requirements....	5
E. References and Data Sources	6
Supplemental Instructions for Non-U.S. GAAP Filers.....	6
Part I: Regulatory Capital Components and Ratios	9
Common equity tier 1 capital.....	9
Additional tier 1 capital	26
Tier 1 capital	32
Tier 2 capital	33
Total capital	38
Risk-based capital ratios	39
Leverage capital ratio.....	40
Part I Memoranda Items.....	40
Part II: Risk-weighted Assets	42
General Instructions: Separate Account Data	42
General Instructions: Risk-weighted Assets	43
Specific Instructions: Risk-weighted Assets.....	63
On-balance Sheet Assets.....	63
Securitization Exposures.....	86
Derivatives and Off-balance Sheet Items (Excluding Securitization Exposures)	93
Allowance	107
Part II Memoranda Items	110
Part III: Separate Account Data	114
Part IV: State-based or Foreign Equivalent Risk-Based Capital Requirements.....	118

Quantitative Impact Study General Instructions

A. General Information

Who Should Report

We ask that firms that receive Quantitative Impact Study (QIS) materials (Cover Letter, QIS Instructions, QIS Reporting Template, and the Supplemental Response Document) respond to this data collection exercise using financial data as of December 31, 2013. Participation in the QIS is voluntary but firms are strongly encouraged to participate to assist the Federal Reserve in gaining a better understanding of the firms' business and risk profiles.

The QIS Instructions and QIS Reporting Template were developed exclusively for the purposes of this data collection exercise, which is designed specifically for firms substantially engaged in insurance underwriting activities. The QIS data collection and analyses are not to be construed as an official interpretation of other documents published by the Federal Reserve System or as representing any final decisions regarding implementation of a regulatory capital framework or reporting requirements for the firms in scope. Data and responses provided for this QIS will be used and maintained in a manner that is designed to preserve firm anonymity and confidentiality. The information provided in the QIS may be shared with other regulators and may be published in aggregate form in a manner that preserves firm anonymity and data confidentiality in connection with the Federal Reserve's supervisory or regulatory duties.

How to Report

Participating firms should complete all parts of the QIS Reporting Template to the best of their ability. Yellow highlighted cells are essential for purposes of carrying out the QIS. White cells are calculated fields and require no input. Each firm should provide qualitative responses and additional details that would help evaluate the firm's QIS submission in the Supplemental Response Document.

Data should be provided on a consolidated basis, using U.S. generally accepted accounting principles (GAAP), unless noted otherwise in the individual line items, using financial data as of December 31, 2013. If the firm's assets changed significantly since December 31, 2013, please describe the material changes in the Supplemental Response Document. In addition, firms that file 10K/10Q should provide a brief reconciliation of the data reported in 10K/10Q and the QIS in the Supplemental Response Document.

Firms may need to develop estimates for certain balance sheet line items. All data estimates should be made on a best-efforts basis, taking into consideration the materiality of the reported line item and the sensitivity of the item to the overall capital ratios. In the Supplemental Response Document, firms should provide the reason for the estimate and a description of the methodology used to derive material data estimates, as well as any additional information that would be helpful in explaining the basis for the estimates.

Firms that do not file consolidated financial statements under U.S. GAAP at the top-tier level (non-U.S. GAAP filers) should refer to the Supplemental Instructions for Non-U.S. GAAP Filers below, as well as specific guidance contained in text boxes located within the QIS Instructions

2014 Insurance QIS

QIS Instructions (modified for display purposes)

for the relevant line items. Note that non-U.S. GAAP filers should prepare a full balance sheet on a consolidated U.S. GAAP basis prior to filling out the QIS.

Any questions regarding the completion of this QIS should be sent to the Federal Reserve. In the subject line of the email, please provide a reference to the specific section of the QIS to which the question relates, using the following categories:

Part I, regulatory capital
Part II, on-balance sheet assets (items 1-8)
Part II, securitizations (items 9a-10)
Part II, derivatives and off-balance sheet items (items 12-21)
Part II, allowance (item 25, 28, 29)
Part II, market risk rule (item 26, memoranda item 4)
Part II, memoranda items 1-3
Part III, separate account assets
Part III, separate account liabilities
Part IV, state-based or foreign equivalent minimum risk-based capital requirements
Accounting and U.S. GAAP conversion questions
Separate account questionnaire
Participation in the QIS
Technical issues, data entry and submission
Other

To facilitate timely responses to questions, please send a separate email for each category of questions and include in the email a relevant contact name, email address, and phone number. If the question is not specific to a QIS line item or other major category listed above, please categorize the subject line of the email as “Other.” Please note that only Federal Reserve responses provided to an emailed inquiry to the Federal Reserve will be considered as approved guidance for the QIS reporting.

B. Parts I and II of the QIS

Parts I and II of the QIS are based the Federal Reserve’s quarterly collection of regulatory capital data from holding companies on FR Y-9C, Consolidated Financial Statements for Bank Holding Companies (specifically, Schedule HC-R).¹

- FR Y-9C collects financial data from top tier, parent holding companies on a consolidated basis in the form of a balance sheet, an income statement, and detailed supporting schedules, including a schedule of off-balance-sheet items and regulatory capital. FR Y-9C contains a number of schedules and instructions, including: (i) general

¹ See current form and instructions for FR Y-9C here:
<http://www.federalreserve.gov/apps/reportforms/reportdetail.aspx?sOoYJ+5BzDal8cbqnRxZRg==>

2014 Insurance QIS

QIS Instructions (modified for display purposes)

instructions describing overall filing requirements, (ii) line item instructions for each schedule of the report and (iii) a glossary presenting in alphabetical order definitions of terms used in the instructions and discussion of certain accounting treatments under U.S. GAAP.

- Schedule HC-R of FR Y-9C, inclusive of proposed revisions to date,² collects regulatory capital information in accordance with the Federal Reserve's revised regulatory capital rules (regulatory capital rules).³
 - Part I of the HC-R collects information on regulatory capital and ratios;
 - Part II of the HC-R collects information on risk-weighted assets, including all assets reported on the balance sheet and credit equivalent amounts for off-balance sheet items, such as commitments, securitizations and derivatives.
- Parts I and II of the QIS generally follow the instructions for Schedule HC-R (specifically, Part I.B and the proposed Part II of the HC-R), as modified for purposes of the QIS. Please note that while a firm may use the FR Y-9C for reference, the QIS Instructions supersede those instructions for Schedule HC-R for purposes of this QIS.
- Large, internationally active organizations or firms with significant trading activities that would meet the thresholds for applying the advanced approaches rules or the market risk rule (based on data projections for December 31, 2014) should complete additional specific line items, as indicated in the relevant line item instructions below.
- Firms that file FR Y-9C or the Call Report may be able to leverage the methodology used to file those forms for purposes of the QIS. Firms that do not file FR Y-9C should refer to the relevant FR Y-9C instructions for additional information, especially where the QIS Instructions refer to FR Y-9C schedules other than the HC-R.

C. Part III: Separate Account Data

Part III collect information on separate account data and asks the respondents with separate accounts to complete a Separate Account Questionnaire (an attachment in the Supplementary Response Document). Information collected on separate accounts will facilitate a better understanding of firms' assets and liabilities pertaining to separate accounts, as well as the regulatory capital requirements for separate accounts under various regulatory frameworks (e.g., based on the Federal Reserve's regulatory capital rules, state-based requirements, and foreign equivalent capital requirements). All separate account data should be reported on an aggregate basis, as specified in the corresponding instructions.

D. Part IV: State-based or Foreign Equivalent Minimum Risk-based Capital Requirements

Part IV collects aggregate information on state-based or foreign equivalent risk-based capital requirements for the respondent's insurance underwriting activities.

² Specifically, the QIS is based on: (i) FR Y-9C, Schedule HC-R, Part I.B. Regulatory Capital Components and Ratios, available at <http://www.federalreserve.gov/apps/reportforms/reportdetail.aspx?sOoYJ+5BzDal8cbqnRxZRg==>; and (ii) FR Y-9C, Part II, Risk-weighted assets, proposed on October 6, 2014, available at <http://www.federalreserve.gov/apps/reportforms/review.aspx>

³ See the regulatory capital rules published by the Federal Reserve Board on July 2, 2013 (78 FR 198 (October 11, 2013)), available at <http://www.gpo.gov/fdsys/pkg/FR-2013-10-11/pdf/2013-21653.pdf>.

2014 Insurance QIS QIS Instructions (modified for display purposes)

E. References and Data Sources

References for completing the QIS

QIS materials provided to participants	(1) Cover Letter describing the QIS (2) QIS Instructions (PDF) (3) QIS Reporting Template (MS Excel) (4) Supplemental Response Document, including a Separate Account Questionnaire (MS Word)
Other reference materials available online	(1) Federal Reserve's regulatory capital rules (http://www.gpo.gov/fdsys/pkg/FR-2013-10-11/pdf/2013-21653.pdf). (2) FR Y-9C instructions and glossary (http://www.federalreserve.gov/apps/reportforms/reportdetail.aspx?sOoYJ+5BzDal8cbqnRxZRg==). Please note that while a firm may use the FR Y-9C for reference, the QIS Instructions supersede those instructions for Schedule HC-R for purposes of this QIS.

Data sources that may facilitate participants' completion of the QIS

Firms that file FR Y-9C at a top-tier holding company level	(1) FR Y-9C submissions for December 31, 2013; (2) Other regulatory filings (e.g., with state regulators) to report certain items, as applicable; (3) SEC 10-K consolidated filing as of December 31, 2013.
Firms that do not file FR Y-9C at a top-tier holding company level	(1) A non-top tier FR Y-9C and Call Report submissions for December 31, 2013 for the firm's subsidiaries, as applicable, , to be incorporated in the consolidated QIS data, as appropriate; (2) Other regulatory filings (e.g., with state regulators) to report certain items, as applicable; (3) SEC 10-K consolidated and/or subsidiary filings as of December 31, 2013 or internal consolidated financial statements prepared generally in accordance with U.S. GAAP.

Supplemental Instructions for Non-U.S. GAAP Filers

Supplemental instructions apply to non-U.S. GAAP filers, including firms that prepare reporting only in accordance with Statutory Accounting Principles (SAP) and firms that prepare internal

2014 Insurance QIS

QIS Instructions (modified for display purposes)

consolidation financial statements developed in accordance with U.S. GAAP that may materially differ from audited U.S. GAAP financial statements.

In order to complete the QIS, a non-U.S. GAAP filer should prepare a full balance sheet on a consolidated U.S. GAAP basis, using the guidance provided below and the instructions for the FR Y-9C, as appropriate (for example, see FR Y-9C, General Instructions, on the Rules of Consolidation; see also instructions for FR Y-9C, Schedule HC). References throughout the instructions to items on schedule HC assume preparation of such a balance sheet. Firms may need to develop estimates for certain balance sheet line items. All data estimates should be made on a best-efforts basis, taking into consideration the materiality of the reported line item and the sensitivity of the item to the overall capital ratios. In the Supplemental Response Document, firms should provide a brief description of the methodology used to derive consolidated balance sheet data and material data estimates, as well as any additional information that would be helpful in explaining the basis for the estimates.

Balance sheet data should be presented on a consolidated basis. Firms should include the top-tier parent organization, defined as the top-tier holding company subject to supervision and regulation by the Federal Reserve, all majority-owned subsidiaries, and all other entities that the parent controls, as defined under U.S. GAAP. In addition, all variable interest entities as defined under Accounting Standards Codification (ASC) Topic 810, should be identified and consolidated as necessary. Firms that control mutual entities or operate as a group of mutual entities will have to develop a methodology to determine whether such entities should be consolidated under U.S. GAAP.

- For subsidiaries and other entities that must be consolidated for which U.S. GAAP financial statements are prepared:
 - All assets and liabilities should be added to the balances of the parent organization and offset by the elimination of the investment in subsidiary account.
 - All intercompany transactions and balances should be reversed or eliminated.
- For subsidiaries and other entities that must be consolidated for which U.S. GAAP financial statements are not prepared:
 - A similar process should be performed as for the entities that file U.S. GAAP statements. However, an additional first step may be required to convert non-GAAP balances to GAAP amounts. All assumptions, methodologies, and steps used to convert asset and liability balances to U.S. GAAP amounts should be disclosed in the Supplemental Response Document.
- Any variable interest entity in which the parent organization holds a variable interest or any majority owned subsidiaries that were not consolidated for purposes of reporting consolidated data in the QIS should be disclosed along with an explanation for each exclusion in the Supplemental Response Document. In addition, please provide balances for total assets and total equity of the entities that have not been consolidated for purposes of the QIS.

U.S. GAAP ASC Topic 805 requires that a new basis (measured at fair value as of the acquisition date) should be established for assets and liabilities of an entity acquired in a business combination. The new basis and the consideration paid for the entity determine the amount of goodwill associated with the transaction. Any negative goodwill should be recognized as a gain.

2014 Insurance QIS

QIS Instructions (modified for display purposes)

This method differs from requirements under SAP. It may be necessary for non-U.S. GAAP filers to adjust for any material differences due to differences in business combination accounting. Firms should consider the significance of the adjustment and any other relevant factors to reflect business combination transactions on a U.S. GAAP basis and disclose the details in the Supplemental Response Document, as appropriate.

The conversion methods and approaches to derive GAAP amounts, including any simplifying assumptions or practical expedients, should be disclosed in the Supplemental Response Document.

Additional information request from non-U.S. GAAP filers

In the Supplemental Response Document, please include an estimated cost of conversion that the respondent would incur to develop U.S. GAAP-based consolidated reporting capability. Please indicate the initial implementation cost and the length of time estimated to perform the full conversion to U.S. GAAP, as well as the ongoing annual cost, including external audit fees. Please describe any additional considerations that would help understand the respondent's effort necessary to establish U.S. GAAP-based consolidated reporting capability. See an example table for providing this information in the Supplementary Response Document.

NOTE:

- **ALL AMOUNTS INCLUDED IN PARTS I AND II OF THE REPORTING TEMPLATE ARE TO BE REPORTED ON A CONSOLIDATED U.S. GAAP BASIS.**

Part I: Regulatory Capital Components and Ratios

Common equity tier 1 capital

For Reference: Eligibility criteria for common equity tier 1 capital: Any common stock instruments (plus any related surplus) issued by the [BANK],⁴ net of treasury stock, and any capital instruments issued by mutual banking organizations, that meet all the following criteria:	
1.	The instrument is paid-in, issued directly by the [BANK], and represents the most subordinated claim in a receivership, insolvency, liquidation, or similar proceeding of the [BANK]
2.	The holder of the instrument is entitled to a claim on the residual assets of the [BANK] that is proportional with the holder's share of the [BANK]'s issued capital after all senior claims have been satisfied in a receivership, insolvency, liquidation, or similar proceeding
3.	The instrument has no maturity date, can only be redeemed via discretionary repurchases with the prior approval of the [AGENCY], and does not contain any term or feature that creates an incentive to redeem
4.	The [BANK] did not create at issuance of the instrument through any action or communication an expectation that it will buy back, cancel, or redeem the instrument, and the instrument does not include any term or feature that might give rise to such an expectation
5.	Any cash dividend payments on the instrument are paid out of the [BANK]'s net income, retained earnings, or surplus related to common stock, and are not subject to a limit imposed by the contractual terms governing the instrument
6.	The [BANK] has full discretion at all times to refrain from paying any dividends and making any other distributions on the instrument without triggering an event of default, a requirement to make a payment-in-kind, or an imposition of any other restrictions on the [BANK]
7.	Dividend payments and any other distributions on the instrument may be paid only after all legal and contractual obligations of the [BANK] have been satisfied, including payments due on more senior claims
8.	The holders of the instrument bear losses as they occur equally, proportionately, and simultaneously with the holders of all other common stock instruments before any losses are borne by holders of claims on the [BANK] with greater priority in a receivership, insolvency, liquidation, or similar proceeding
9.	The paid-in amount is classified as equity under GAAP
10.	The [BANK], or an entity that the [BANK] controls, did not purchase or directly or indirectly fund the purchase of the instrument
11.	The instrument is not secured, not covered by a guarantee of the [BANK] or of an affiliate of the [BANK], and is not subject to any other arrangement that legally or economically enhances the seniority of the instrument

⁴ Note that for purposes of this reference table, [BANK] refers to a QIS participant, on a consolidated basis, and [AGENCY] refers to the Federal Reserve Board.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

12. The instrument has been issued in accordance with applicable laws and regulations
13. The instrument is reported on the [BANK]'s regulatory financial statements separately from other capital instruments

Line item 1 Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares.

Report the sum of Schedule HC,⁵ items 24 and 25, less item 26(c) as follows:

(1) **Common stock:** report the amount of common stock reported in Schedule HC, item 24 provided it meets the criteria for common equity tier 1 capital in section 20 of the regulatory capital rules. Include capital instruments issued by mutual banking organizations that meet the criteria for common equity tier 1 capital.

(2) **PLUS: related surplus:** adjust the amount reported in Schedule HC, item 25 as follows: include the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date; exclude adjustments arising from treasury stock transactions.

(3) **LESS: treasury stock, unearned ESOP shares, and any other contra-equity components:** report the amount of contra-equity components reported in Schedule HC, item 26(c).

In the Supplemental Response Document, please provide additional details for this line item, as applicable.

Line item 2 Retained earnings.

Report the amount of the holding company's retained earnings as reported in Schedule HC, item 26(a).

In the Supplemental Response Document, please provide closed block distributable earnings, or policy holder dividend obligation (PDO).

⁵ As noted in the Supplemental Guidance for Non-U.S. GAAP Filers above, a non-U.S. GAAP filer should prepare a full balance sheet on a consolidated U.S. GAAP basis prior to filling out the QIS. References throughout the instructions to items on schedule HC assume preparation of such a balance sheet.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Non-U.S. GAAP filers:

- Retained earnings should equal the amount required such that total assets equals total liabilities plus total equity.
 - This will require that non-U.S. GAAP filers develop a full balance sheet with estimates for assets, liabilities, and all other equity balances.
- Please refer to FR Y-9C instructions and the supplemental instructions above to provide guidance on reporting asset and equity balances.
- Liability balances should be estimated on a U.S. GAAP basis, if available. Otherwise, a firm may need convert non-U.S. GAAP liabilities to U.S. GAAP.
- Methods employed to convert non-U.S. GAAP to U.S. GAAP should be disclosed in the Supplemental Response Document.

Line item 3 Accumulated other comprehensive income (AOCI).

Report the amount of AOCI as reported under generally accepted accounting principles (GAAP) in the U.S. that is included in Schedule HC, item 26(b). See also Memo Items to Part I and the Supplemental Response Document to provide additional information about AOCI.

Non-U.S. GAAP filers:

The primary elements of AOCI should be generally available to non-GAAP filers through other reporting sources, such as Annual Statutory Filing footnotes. For those elements that may require more complex estimation, a respondent should balance the time required to calculate the estimation against the materiality of the item. If the burden of calculating the item outweighs the impact that the item would have on capital ratios, then the item may be excluded and a comment should be made in the Supplemental Response Document.

Line item 4 Common equity tier 1 minority interest includable in common equity tier 1 capital.

Note: The minority interest limitation applies only if a subsidiary has a surplus common equity tier 1 capital (that is, in excess of the subsidiary's minimum capital requirements and the applicable capital conservation buffer). For example, a subsidiary with a common equity tier 1 capital ratio of 8 percent that needs to maintain a common equity tier 1 capital ratio of more than 7 percent to avoid limitations on capital distributions and discretionary bonus payments is considered to have "surplus" common equity tier 1 capital. Thus, at the consolidated level, the holding company may not include the portion of such surplus common equity tier 1 capital.

Report the aggregate amount of common equity tier 1 minority interest, calculated as described below and in section 21 of the regulatory capital rules. Common equity tier 1 minority interest is the portion of equity in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that an institution may only include common equity tier 1 minority interest if: (a) the subsidiary is a depository institution or a foreign bank; and (b) the capital

2014 Insurance QIS QIS Instructions (modified for display purposes)

instruments issued by the subsidiary meet all of the criteria for common equity tier 1 capital (qualifying common equity tier 1 capital instruments).

Example: For each consolidated subsidiary that is a depository institution or a foreign bank, calculate common equity tier 1 minority interest includable at the holding company level as follows:

Assumptions:

- Risk-weighted assets of the consolidated subsidiary are the same as the risk-weighted assets of the holding company that relate to the subsidiary (\$1,000);
- The subsidiary's common equity tier 1 capital is \$80;
- The subsidiary's common equity tier 1 minority interest (that is, owned by minority shareholders) is \$24.

(1)	Determine the risk-weighted assets of the subsidiary using the risk-based capital framework applicable to that subsidiary. ⁶	\$1,000
(2)	Determine the risk-weighted assets of the holding company that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	\$1,000
(3)	Determine the lower of (1) or (2), and multiply that amount by 7.0%. ⁷	$\$1,000 \times 7\% = \70
(4)	Determine the dollar amount of the subsidiary's common equity tier 1 capital (assumed \$80 in this example). If this amount is less than step (3), include this amount in Schedule HC-R, item 4. Otherwise, continue to step (5).	\$80
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus common equity tier 1 capital of the subsidiary."	$\$80 - \$70 = \$10$
(6)	Determine the percent of the subsidiary's common equity tier 1 capital owned by third parties (the minority shareholders).	$\$24/\$80 = 30\%$
(7)	Multiply the percentage in step (6) by the dollar amount in step (5). This is the "surplus common equity tier 1 minority interest of the subsidiary"	$30\% \times \$10 = \3
(8)	Subtract the amount in step (7) from the subsidiary's common equity tier 1 minority interest.	$\$24 - \$3 = \$21$
(9)	This is the "common equity tier 1 minority interest includable at the holding company level" to be included in Schedule HC-R, item 4, for this subsidiary.	\$21

⁶ For purposes of the minority interest calculations, if the consolidated subsidiary issuing the capital is not subject to capital adequacy standards similar to those of the holding company, the holding company must assume that the capital adequacy standards of the holding company apply to the subsidiary.

⁷ The percentage multiplier in step (3) is the capital ratio necessary for the depository institution to avoid restrictions on distributions and discretionary bonus payments.

Non-U.S. GAAP filers:

- If a majority-owned subsidiary produces U.S. GAAP based financial statements, it is expected that the minority interest (non-controlling interest) balance would be derived according to U.S. GAAP.
- If a majority-owned subsidiary reports on a basis other than U.S. GAAP, a respondent should develop an approach to estimate minority interest (non-controlling interest) on a U.S. GAAP basis. The method employed should be disclosed in the Supplemental Response Document.
- In the Supplemental Response Document, please provide any relevant details on the majority-owned subsidiaries that you believe would be necessary to understand the estimated minority interests.

Line item 5 Common equity tier 1 capital before adjustments and deductions.

Calculated field: the sum of items 1, 2, 3, and 4.

Common equity tier 1 capital: adjustments and deductions

Note 1: As described in section 22(b) of the regulatory capital rules, regulatory adjustments to common equity tier 1 capital must be made net of associated deferred tax effects.

Note 2: As described in section 22(e) of the regulatory capital rules, netting of deferred tax liabilities (DTLs) against assets that are subject to deduction is permitted if the following conditions are met:

- (i) The DTL is associated with the asset;
- (ii) The DTL would be extinguished if the associated asset becomes impaired or is derecognized under GAAP; and
- (iii) A DTL can only be netted against a single asset.

The amount of deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances, may be offset by DTLs (that have not been netted against assets subject to deduction) if the following conditions are met:

- (i) Only the DTAs and DTLs that relate to taxes levied by the same taxation authority and that are eligible for offsetting by that authority may be offset for purposes of this deduction.
- (ii) The amount of DTLs that the holding company nets against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and against DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances, must be allocated in proportion to the amount of DTAs that arise from net operating loss and tax credit carryforwards (net of any related valuation allowances, but before any offsetting of DTLs)

2014 Insurance QIS
QIS Instructions (modified for display purposes)

and of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks (net of any related valuation allowances, but before any offsetting of DTLs), respectively.

A holding company may offset DTLs embedded in the carrying value of a leveraged lease portfolio acquired in a business combination that are not recognized under GAAP against DTAs that are subject to section 22(a) of the regulatory capital rules in accordance with section 22(e).

A holding company must net DTLs against assets subject to deduction in a consistent manner from reporting period to reporting period. A holding company may change its DTL netting preference only after obtaining the prior written approval of the Federal Reserve.

In addition, note that even though certain deductions may be net of associated DTLs, the risk-weighted portion of those items may not be reduced by the associated DTLs.

All respondents:

In the Supplemental Response Document, please provide a general narrative on the respondent's methodology to determine the components of DTA and the appropriate netting of corresponding DTLs. If a respondent has DTAs that arise from temporary differences due to jurisdictional differences, please describe the approach in estimating line items.

In addition, provide a brief narrative on the respondent's methodology for determining DTA/DTL for goodwill and intangible assets (see an example in the Supplementary Response Document).

Line item 6 LESS: Goodwill net of associated deferred tax liabilities (DTLs).

Report the amount of goodwill included in Schedule HC, item 10(a).

However, if the holding company has a DTL that is specifically related to goodwill acquired in a taxable purchase business combination that it chooses to net against the goodwill, the amount of disallowed goodwill to be reported in this item should be reduced by the amount of the associated DTL.

If a holding company has significant investments in the capital of unconsolidated financial institutions in the form of common stock, the holding company should report in this item goodwill embedded in the valuation of a significant investment in the capital of an unconsolidated financial institution in the form of common stock (embedded goodwill). Such deduction of embedded goodwill would apply to investments accounted for under the equity method. Under GAAP, if there is a difference between the initial cost basis of the investment and the amount of underlying equity in the net assets of the investee, the resulting difference should be accounted for as if the investee were a consolidated subsidiary (which may include imputed goodwill).

2014 Insurance QIS
QIS Instructions (modified for display purposes)

All respondents:

Please note the DTL associated with the goodwill in the Supplemental Response Document.

Non-U.S. GAAP filers:

- Goodwill resulting from business acquisition accounting under SAP may differ materially from U.S. GAAP. If an acquired firm prepares U.S. GAAP reports, the firm should use those reports to develop an estimate.
- An estimate should be provided for goodwill to the extent that the estimate would be considered to be a reasonable approximation of the U.S. GAAP balance. The method employed should be disclosed in the Supplemental Response Document.
- If a respondent determines that it is not possible to develop a reasonable estimate of goodwill, the balance should be \$0. This determination should be disclosed in the Supplemental Response Document.

Line item 7 LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs.

Report all intangible assets (other than goodwill and MSAs) net of associated DTLs, included in Schedule HC-M, items 12(b) and 12(c), that do not qualify for inclusion in common equity tier 1 capital under the regulatory capital rules. Generally, all purchased credit card relationships (PCCRs) and non-mortgage servicing assets, reported in Schedule HC-M, item 12(b), and all other identifiable intangibles, reported in Schedule HC-M, item 12(c), do not qualify for inclusion in common equity tier 1 capital and should be included in this item.

Note: Value of business acquired (VOBA), deferred acquisition costs (DAC), and reinsurance recoverables are to be classified as Other Assets, reported in Part II item 8, and risk-weighted at 100 percent.

Further, if the holding company has a DTL that is specifically related to an intangible asset (other than servicing assets and PCCRs) acquired in a nontaxable purchase business combination that it chooses to net against the intangible asset for regulatory capital purposes, the amount of disallowed intangibles to be reported in this item should be reduced by the amount of the associated DTL. However, a DTL that the holding company chooses to net against the related intangible reported in this item may not also be netted against DTAs when the holding company determines the amount of DTAs that are dependent upon future taxable income and calculates the maximum allowable amount of such DTAs for regulatory capital purposes.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Non-U.S. GAAP filers:

- Intangible assets that do not qualify for inclusion in common equity tier 1 capital may not be reported under SAP. An estimate should be provided for these intangible assets to the extent that estimates would be considered to be a reasonable approximation of the U.S. GAAP balance. The method employed should be disclosed in the Supplemental Response Document.
- If a respondent determines that it is not possible to develop a reasonable estimate of these intangible assets, the balance should be \$0. This determination should be disclosed in the Supplemental Response Document.

Line item 8 LESS: Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs.

Report the amount of DTAs that arise from net operating loss and tax credit carryforwards, net of associated valuation allowances and net of associated DTLs.

Non-U.S. GAAP filers:

Firms should provide a reconciliation that identifies material adjustments from non-U.S. GAAP to U.S. GAAP deferred tax balances broken out by deferred tax assets, deferred tax liabilities, and allowances in the Supplemental Response Document.

Line item 9 AOCI-related adjustments.

All respondents: report items 9(a) through 9(e).

Line item 9(a) LESS: Net unrealized gains (losses) on available-for-sale securities.

Report the amount of net unrealized gains (losses) on available-for-sale securities, net of applicable taxes, that is included in Schedule HC, item 26(b), "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Non-U.S. GAAP filers:

- U.S. GAAP-based unrealized gains (losses) could be derived from accounting systems and the disclosures of non-U.S. GAAP filers. If respondents take the view that this is not a reasonable assumption, please provide a rationale as to why not.
- The method employed to estimate any unrealized gains (losses) should be disclosed in the Supplemental Response Document. For example, please provide the amount and source of estimates such as third party pricing service, internal model, carrying value equivalent to fair value, etc.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Line item 9(b) LESS: Net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures.

Report as a positive value net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that is included in Schedule HC, item 26(b), “Accumulated other comprehensive income.”

Line item 9(c) LESS: Accumulated net gains (losses) on cash flow hedges.

Report the amount of accumulated net gains (losses) on cash flow hedges that is included in Schedule HC, item 26(b), “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Line item 9(d) LESS: Amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans.

Report the amounts recorded in AOCI and included in Schedule HC, item 26(b), “Accumulated other comprehensive income,” resulting from the initial and subsequent application of ASC Subtopic 715-20 (formerly FASB Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”) to defined benefit postretirement plans (a holding company may exclude the portion relating to pension assets deducted in Schedule HC-R, item 10(b)). If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Line item 9(e) LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.

Report the amount of net unrealized gains (losses) that are not credit-related on held-to-maturity securities and are included in AOCI as reported in Schedule HC, item 26(b), “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

Include (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category and (ii) the unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”).

Line item 9(f): To be completed only by firms that would be projected to meet the thresholds for the application of the advanced approaches rule by December 31, 2014 (generally, institutions

2014 Insurance QIS
QIS Instructions (modified for display purposes)

that would have at least \$250 billion in total assets or at least \$10 billion in total on-balance sheet foreign exposure, excluding assets held by an insurance underwriting subsidiary)⁸:

LESS: Accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relate to the hedging of items that are not recognized at fair value on the balance sheet.

Report the amount of accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relate to the hedging of items that are not recognized at fair value on the balance sheet. If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

Line item 10 Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:

Line item 10(a) LESS: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk.

Report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in the holding company's own credit risk. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

All respondents:

Provide a breakdown of the sources and amounts of own credit risk in the Supplemental Response Document. If large respondents have information on the credit spread premium over the risk-free rate for derivatives that are liabilities, please provide this data as well.

Line item 10(b) LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions.

Report the amount of other deductions from (additions to) common equity tier 1 capital that are not included in items 1 through 9, as described below.

All respondents:

In the Supplemental Response Document, please provide the amount of investments in the holding company's own shares to the extent not excluded as part of treasury stock, as included in sub-item (3) of this item, as well as reciprocal cross-holdings in the capital of financial institutions in the form of common stock, as included in sub-item (4) of this item.

(1) After-tax gain-on-sale in connection with a securitization exposure.

Include any after-tax gain-on-sale in connection with a securitization exposure. Gain-on-sale means an increase in the equity capital of a holding company resulting from a securitization

⁸ Referred to hereafter as "large respondents."

2014 Insurance QIS
QIS Instructions (modified for display purposes)

(other than an increase in equity capital resulting from the holding company's receipt of cash in connection with the securitization or reporting of a mortgage servicing asset on Schedule HC).

(2) Defined benefit pension fund assets, net of associated DTLs.

A holding company should include any defined benefit pension fund assets, net of any associated DTLs. With the prior approval of the Federal Reserve, this deduction is not required for any defined benefit pension fund net asset to the extent the holding company has unrestricted and unfettered access to the assets in that fund. For an insured depository institution, no deduction is required.

A holding company must risk weight any portion of the defined benefit pension fund asset that is not deducted as if the holding company directly holds a proportional ownership share of each exposure in the defined benefit pension fund.

(3) Investments in the holding company's own shares to the extent not excluded as part of treasury stock.

Include the holding company's investments in (including any contractual obligation to purchase) its own common stock instruments, including direct, indirect, and synthetic exposures to such capital instruments (as defined in the regulatory capital rules), to the extent such capital instruments are not excluded as part of treasury stock, reported in Schedule HC-R, item 1.

If a holding company already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital elements, it does not need to make such deduction twice.

A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty credit risk and all other criteria in section 22(h) of the regulatory capital rules are met.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments.

In addition:

- (i) Gross long positions in investments in a holding company's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same underlying index;
- (ii) Short positions in index securities to hedge long cash or synthetic positions may be decomposed to recognize the hedge; and
- (iii) The portion of the index composed of the same underlying exposure that is being hedged may be used to offset the long position only if both the exposure being hedged and the short position in the index are covered positions under the market risk rule,⁹ and the hedge

⁹ See instructions for firms that would meet the thresholds for the market risk rule in Part II, General Instructions. As described below, a firm would need to determine whether a position is (i) a trading position and (ii) a covered position for purposes of meeting this requirement.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

is deemed effective by the holding company's internal control processes which would have been assessed by the Federal Reserve.

(4) Reciprocal cross-holdings in the capital of financial institutions in the form of common stock.

Include investments in the capital of other financial institutions (in the form of common stock) that the holding company holds reciprocally (this is the corresponding deduction approach). Such reciprocal crossholdings may result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

Line item 11 LESS: Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments.

A holding company has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution.¹⁰

¹⁰ Under the Federal Reserve's regulatory capital rules, a financial institution means: (1) A bank holding company; savings and loan holding company; nonbank financial institution supervised by the Board under Title I of the Dodd-Frank Act; depository institution; foreign bank; credit union; industrial loan company, industrial bank, or other similar institution described in section 2 of the Bank Holding Company Act; national association, state member bank, or state non-member bank that is not a depository institution; insurance company; securities holding company as defined in section 618 of the Dodd-Frank Act; broker or dealer registered with the SEC under section 15 of the Securities Exchange Act; futures commission merchant as defined in section 1a of the Commodity Exchange Act; swap dealer as defined in section 1a of the Commodity Exchange Act; or security-based swap dealer as defined in section 3 of the Securities Exchange Act; (2) Any designated financial market utility, as defined in section 803 of the Dodd-Frank Act; (3) Any entity not domiciled in the United States (or a political subdivision thereof) that is supervised and regulated in a manner similar to entities described in paragraphs (1) or (2) of this definition; or (4) Any other company: (i) Of which the [BANK] owns: (A) An investment in GAAP equity instruments of the company with an adjusted carrying value or exposure amount equal to or greater than \$10 million; or (B) More than 10 percent of the company's issued and outstanding common shares (or similar equity interest), and (ii) Which is predominantly engaged in the following activities: (A) Lending money, securities or other financial instruments, including servicing loans; (B) Insuring, guaranteeing, indemnifying against loss, harm, damage, illness, disability, or death, or issuing annuities; (C) Underwriting, dealing in, making a market in, or investing as principal in securities or other financial instruments; or (D) Asset management activities (not including investment or financial advisory activities). (5) For the purposes of this definition, a company is "predominantly engaged" in an activity or activities if: (i) 85 percent or more of the total consolidated annual gross revenues (as determined in accordance with applicable accounting standards) of the company is either of the two most recent calendar years were derived, directly or indirectly, by the company on a consolidated basis from the activities; or (ii) 85 percent or more of the company's consolidated total assets (as determined in accordance with applicable accounting standards) as of the end of either of the two most recent calendar years were related to the activities. (6) Any other company that the [AGENCY] may determine is a financial institution based on activities similar in scope, nature, or operation to those of the entities included in paragraphs (1) through (4) of this definition. (7) For purposes of this part, "financial institution" does not include the following entities: (i) GSEs; (ii) Small business investment companies, as defined in section 102 of the Small Business Investment Act of 1958 (15 U.S.C. 662); (iii) Entities designated as Community Development Financial Institutions (CDFIs) under 12 U.S.C. 4701 et seq. and 12 CFR part 1805; (iv) Entities registered with the SEC under the Investment Company Act of 1940 (15 U.S.C. 80a-1) or foreign equivalents thereof; (v) Entities to the extent that the [BANK]'s investment in such entities would qualify as a community development investment under section 24 (Eleventh) of the National Bank Act; and (vi) An employee

2014 Insurance QIS QIS Instructions (modified for display purposes)

Report the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that, in the aggregate, exceed the 10 percent threshold for non-significant investments, calculated as described below in the example and the worksheet calculation. The holding company may apply associated DTLs to this deduction.

All respondents:

Provide a breakdown of the major sources of non-significant investments in financial institutions and a short narrative on the approach taken to determine exposure to financial institutions in the Supplemental Response Document. Please all provide information on non-significant investments in diversified funds. Firms are asked to complete this item on a best-efforts basis. If a firm is not able to do a complete look-through approach of its investments, please aim to provide the list of all material holdings (e.g., above 5 percent).

For example:

Brief description of company	Type of investment	Dollar amount
Merchant bank	Investment in public shares	\$2 billion
Broker dealer bank	Investment in public shares	\$1 billion
10% threshold of common equity tier 1 capital		\$500 million
Total amount of deduction		\$2.5 billion

Example and a worksheet calculation for purposes of reporting this line item 11:

Assumptions:

- A holding company has a total of \$200 in non-significant investments in the capital of unconsolidated financial institutions, of which \$100 is in common shares. For this example, all of the \$100 in common shares is in the common stock of a publicly-traded financial institution.
- The amount reported in item 5 (common equity tier 1 capital before adjustments and deductions (sum of items 1 through 4)), is \$1,000.
- Assume the amounts reported in items 6 through 9(f), are all \$0.

(1)	Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions (including in the form of common stock, additional tier 1, and tier 2 capital).	\$200
(2)	Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock.	\$100

benefit plan as defined in paragraphs (3) and (32) of section 3 of ERISA, a “governmental plan” (as defined in 29 U.S.C. 1002(32)) that complies with the tax deferral qualification requirements provided in the Internal Revenue Code, or any similar employee benefit plan established under the laws of a foreign jurisdiction. First-lien residential mortgage exposure means a residential mortgage exposure secured by a first lien.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

(3)	Subtract from item 5, the amounts in items 6, 7, 8, 9, and 10.	$\$1,000 - \$0 = \$1,000$
(4)	Multiply the amount in step (3) by 10%. This is “the 10 percent threshold for non-significant investments.”	$\$1,000 \times 10\% = \100
(5)	If (1) is greater than (4), subtract (4) from (1) and multiply the result by the ratio of (2) divided by (1). Report this amount in this item 11. If (1) is less than (4), enter zero in this item 11.	<i>Line (1) is greater than line (4); therefore $\\$200 - \\$100 = \\$100$. Then $(\\$100 \times 100/200) = \\50. Report \$50 in this line item 11.</i>
(6)	Assign the applicable risk weight to the amount of non-significant investments in the capital of unconsolidated financial institutions that does not exceed the 10 percent threshold for non-significant investments.	<i>Of the \$100 in common shares, \$50 are deducted in this line item 11. The remaining \$50 needs to be included in risk-weighted assets in Part II.*</i>

* In this case, $\$50 \times 300\%$ risk weight for publicly traded common shares = \$150 in risk-weighted assets for the portion of common shares in an unconsolidated financial institution that are not deducted. Include this amount in Part II, risk-weighted assets, “All other assets” item.

Line item 12 Subtotal

A calculated field: the amount in item 5, less the amounts in items 6 through 11.

This subtotal will be used in items 13 through 16, to calculate the amounts of items subject to the 10 and 15 percent common equity tier 1 capital threshold deductions (threshold items):

- Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of DTLs,
- MSAs, net of associated DTLs; and
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs.

Line item 13 LESS: Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.

A holding company has a significant investment in the capital of an unconsolidated financial institution when it owns more than 10 percent of the issued and outstanding common shares of that institution.

Report the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold, calculated as follows:

- (1) Determine the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs.
- (2) If the amount in (1) is greater than 10 percent of the amount of Schedule HC-R, item 12, report the difference as this item 13.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

(3) If the amount in (2) is less than 10 percent of Schedule HC-R, item 12, report zero.

If the holding company included embedded goodwill in item 6, to avoid double counting, the holding company may net such embedded goodwill already deducted against the exposure amount of the significant investment. For example, if a holding company has deducted \$10 of goodwill embedded in a \$100 significant investment in the capital of an unconsolidated financial institution in the form of common stock, the holding company would be allowed to net such embedded goodwill against the exposure amount of such significant investment (that is, the value of the investment is \$90 for purposes of the calculation of the amount that would be subject to deduction).

All respondents:

Provide a breakdown of the major sources of significant investments in financial institutions and a short narrative on the approach taken to determine exposure to financial institutions in the Supplemental Response Document.

Line item 14 LESS: MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.

Report the amount of MSAs (included in Schedule HC-M, item 12(a)¹¹), net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold as follows:

- (1) Take the amount of MSAs as reported in Schedule HC-M, item 12(a), net of associated DTLs.
- (2) If the amount in (1) is higher than 10 percent of item 12, report the difference in this item 14.
- (3) If the amount in (1) is lower than 10 percent of item 12, enter zero.

Line item 15 LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.

- (1) Report the amount of DTAs arising from temporary differences that the holding company could not realize through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the holding company's ALLL).
- (2) If the amount in (1) is higher than 10 percent of item 12, report the difference in this item 15.
- (3) If the amount in (1) is lower than 10 percent of item 12, enter zero.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned a 100 percent risk weight.

¹¹ As indicated above, please refer to the Y-9C instructions for other schedules.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

All respondents:

Provide any supporting work or schedules used to determine the DTA amount in the Supplemental Response Document. The supporting work should include an analysis of DTAs subject to the limit, calculation of carryback availability and analysis required to calculate the net amount exceeding 10 percent of item 12.

Line item 16 LESS: Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold.

The aggregate amount of the threshold items (that is, significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs) may not exceed 15 percent of the holding company's common equity tier 1 capital, net of applicable adjustments and deductions (the 15 percent common equity tier 1 capital deduction threshold).

Example and a worksheet calculation:

Assumptions:

- The amount reported in Schedule HC-R, item 12 is \$130 (This amount is common equity tier 1 after all deductions and adjustments, except for deduction of the threshold items).
- Assume that the associated DTLs are zero; also assume the following balance sheet amounts prior to deduction of these items:
 - o Significant investments in the common shares of unconsolidated financial institutions net of associated DTLs = \$10.
 - o MSAs net of associated DTLs = \$20
 - o DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of DTLs = \$30.

(1)	Aggregate amount of threshold items before deductions Enter the sum of:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs (item 13, step 1);	\$10
	b. MSAs net of associated DTLs (item 14, step 1); and	\$20
	c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (item 15, step 1).	\$30
	d. Total of a, b, and c:	\$60
(2)	The 10 percent common equity tier 1 capital deduction threshold	
	Multiply the amount reported in item 12 by 10 percent.	$\$130 \times 10\% = \13

2014 Insurance QIS
QIS Instructions (modified for display purposes)

(3)	Amount of threshold items deducted as a result of the 10 percent common equity tier 1 capital deduction threshold	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock net of associated DTLs (as reported in item 13) b. MSAs net of associated DTLs (as reported in item 14) c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs (as reported in item 15)	<i>\$0</i> <i>\$20 - \$13 = \$7</i> <i>\$30 - \$13 = \$17</i>
(4)	Sum of threshold items not deducted as a result of the 10 percent common equity tier 1 capital deduction threshold Enter the sum of:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock net of associated DTLs that are not deducted (that is, the difference between the amount in step (1)(a) of this table and step 3(a) of this table)	<i>\$10</i>
	b. MSAs that are not deducted (that is, the difference between the amount in step (1)(b) of this table and step 3(b) of this table)	<i>\$20 - \$7 = \$13</i>
	c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs that are not deducted (that is, the difference between the amount in step (1)(c) of this table and step (3)(c) of this table)	<i>\$30 - \$17 = \$13</i>
	d. Total of a, b, and c	<i>\$10 + \$13 + \$13 = \$36</i>
(5)	The 15 percent common equity tier 1 capital deduction threshold Calculate as follows:	
	a. Subtract the amount calculated in step (1)(d) of this table from item 12. b. Multiply the resulting amount by 17.65%	<i>(\$130 - \$60) x 17.65%</i> <i>= \$12.36</i> <i>Rounds to \$12</i>
(6)	Amount of threshold items that exceed the 15 percent common equity tier 1 capital deduction threshold Report as follows:	
	a. If the amount in step (4)(d) is greater than the amount in step (5), then subtract (5) from (4)(d) and report this number in item 16. (In addition, the holding company must risk-weight the items that are not deducted at 250 percent in the risk-weighted asset section of this form.) b. If the amount in step (4)(d) is less than the amount in step (5), report zero in item 16.	<i>The amount in step 4(d) (\$36) is greater than the amount in step 5 (\$12).</i> <i>Therefore:</i> <i>\$36 - \$12 = \$24</i>

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Line item 17 LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.

Report the total amount of deductions related to reciprocal cross holdings, non-significant investments in the capital of unconsolidated financial institutions, and non-common stock significant investments in the capital of unconsolidated financial institutions if the holding company does not have a sufficient amount of additional tier 1 capital and tier 2 capital to cover these deductions in items 24 and 33.

All respondents:

In the Supplemental Response Document, please provide information on common equity tier 1 capital deductions due to insufficient amounts of additional tier 1 capital and tier 2 capital.

Line item 18 Total adjustments and deductions for common equity tier 1 capital.

A calculated field: the sum of items 13 through 17.

Line item 19 Common equity tier 1 capital.

A calculated field: item 12 less item 18. The amount reported in this item is the numerator of the holding company's common equity tier 1 risk-based capital ratio.

Additional tier 1 capital

For Reference: Eligibility criteria for Additional Tier 1: Instruments that meet the following criteria:¹²
1. The instrument is issued and paid-in
2. The instrument is subordinated to depositors, general creditors, and subordinated debt holders of the [BANK] in a receivership, insolvency, liquidation, or similar proceeding
3. The instrument is not secured, not covered by a guarantee of the [BANK] or of an affiliate of the [BANK], and not subject to any other arrangement that legally or economically enhances the seniority of the instrument
4. The instrument has no maturity date and does not contain a dividend step-up or any other term or feature that creates an incentive to redeem
5. If callable by its terms, the instrument may be called by the [BANK] only after a minimum of five years following issuance, except that the terms of the instrument may allow it to be called earlier than five years upon the occurrence of a regulatory event that precludes the instrument from being included in additional tier 1 capital, a tax event, or if the issuing entity is required to register as an investment company pursuant to the Investment Company Act of 1940
6. Redemption or repurchase of the instrument requires prior approval from the [AGENCY]
7. The [BANK] has full discretion at all times to cancel dividends or other distributions on the instrument without triggering an event of default, a requirement to make a payment-in-kind, or an imposition of

¹² Note that for purposes of this reference table, [BANK] refers to a QIS participant, on a consolidated basis, and [AGENCY] refers to the Federal Reserve Board.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

other restrictions on the [BANK] except in relation to any distributions to holders of common stock or instruments that are pari passu with the instrument
8. Any distributions on the instrument are paid out of the [BANK]'s net income, retained earnings, or surplus related to other additional tier 1 capital instruments
9. The instrument does not have a credit-sensitive feature, such as a dividend rate that is reset periodically based in whole or in part on the [BANK]'s credit quality, but may have a dividend rate that is adjusted periodically independent of the [BANK]'s credit quality, in relation to general market interest rates or similar adjustments.
10. The paid-in amount is classified as equity under GAAP.
11. The [BANK], or an entity that the [BANK] controls, did not purchase or directly or indirectly fund the purchase of the instrument.
12. The instrument does not have any features that would limit or discourage additional issuance of capital by the [BANK], such as provisions that require the [BANK] to compensate holders of the instrument if a new instrument is issued at a lower price during a specified time frame.
13. If the instrument is not issued directly by the [BANK] or by a subsidiary of the [BANK] that is an operating entity, the only asset of the issuing entity is its investment in the capital of the [BANK], and proceeds must be immediately available without limitation to the [BANK] or to the [BANK]'s top-tier holding company in a form which meets or exceeds all of the other criteria for additional tier 1 capital instruments.
14. For an advanced approaches [BANK], the governing agreement, offering circular, or prospectus of an instrument issued after the date upon which the [BANK] becomes subject to this part must disclose that the holders of the instrument may be fully subordinated to interests held by the U.S. government in the event that the [BANK] enters into a receivership, insolvency, liquidation, or similar proceeding.

Line item 20 Additional tier 1 capital instruments plus related surplus.

Report the portion of noncumulative perpetual preferred stock and related surplus included in Schedule HC, item 23 that satisfy all the criteria for additional tier 1 capital in the regulatory capital rules.

Include instruments that were (i) issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 1 capital under the Federal Reserve's general risk-based capital rules (12 CFR part 225, appendix A, and, if applicable, appendix E) (for example, tier 1 instruments issued under the TARP program that are grandfathered permanently). Also include additional tier 1 capital instruments issued as part of an ESOP, provided that the repurchase of such instruments is required solely by virtue of ERISA for a banking organization that is not publicly-traded.

a. Depository institution holding companies¹³ with total consolidated assets of less than \$15 billion as of December 31, 2009 and holding companies that were mutual holding companies as of May 19, 2010 (2010 MHCs) only:

Depository institution holding companies with total consolidated assets of less than \$15 billion as of December 31, 2009 and holding companies that were mutual holding companies prior to May 19, 2010, (2010 MHCs) may include non-qualifying capital instruments (e.g., TruPS and

¹³ Depository institution holding company means a bank holding company or savings and loan holding company.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

cumulative perpetual preferred stock) issued prior to May 19, 2010, in additional tier 1 or tier 2 capital if the instrument will be included in tier 1 or tier 2 capital, respectively, as of January 1, 2014. Such non-qualifying capital instruments includable in tier 1 capital are subject to a limit of 25 percent of tier 1 capital elements, excluding any non-qualifying capital instruments and after all regulatory capital deductions and adjustments have been applied to tier 1 capital.

Line item 21 Non-qualifying capital instruments subject to phase out from additional tier 1 capital.

Report the total amount of non-qualifying capital instruments that were included in tier 1 capital and outstanding as of January 1, 2014, as follows:

a. Depository institution holding companies with total consolidated assets of less than \$15 billion as of December 31, 2009 and 2010 MHCs:

This line item is generally not applicable to non-qualifying capital instruments issued by depository institution holding companies with total consolidated assets of less than \$15 billion and 2010 MHCs prior to May 19, 2010, because these institutions may include non-qualifying regulatory capital instruments in additional tier 1 capital as described in Schedule HC-R, item 20.

Non-qualifying capital instruments that are not included in additional tier 1 capital may be included in tier 2 capital in item 27.

b. Depository institution holding companies with total consolidated assets of \$15 billion or more as of December 31, 2009 that are not 2010 MHCs:

Report the amount of non-qualifying capital instruments (that is, debt or equity instruments that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules, but that were issued and included in tier 1 or tier 2 capital, respectively, prior to May 19, 2010).

Non-qualifying capital instruments that are excluded from tier 1 capital can be included in tier 2 capital, without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the regulatory capital rules.

Line item 22 Tier 1 minority interest not included in common equity tier 1 capital.

Report the amount of tier 1 minority interest not included in common equity tier 1 capital that is includable at the consolidated level, as described below.

For each consolidated subsidiary, perform the calculations in steps (1) through (10) of the worksheet below. Sum up the results from step 10 for each consolidated subsidiary and report the aggregate number in this item 22.

2014 Insurance QIS

QIS Instructions (modified for display purposes)

For tier 1 minority interest, there is no requirement that the subsidiary be a depository institution or a foreign bank. However, the instrument that gives rise to tier 1 minority interest must meet all the criteria for either common equity tier 1 capital or additional tier 1 capital instrument.

Example and a worksheet calculation: calculate tier 1 minority interest not included in common equity tier 1 capital includable at the holding company level as follows:

Assumptions:

- This is a continuation of the example used for common equity tier 1 minority interest from item 4.
- Assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the holding company that relate to the subsidiary: \$1,000 in each case.
- Subsidiary's tier 1 capital: \$110, which is composed of subsidiary's common equity tier 1 capital of \$80 and additional tier 1 capital of \$30.
- Subsidiary's common equity tier 1 owned by minority shareholders: \$24.
- Subsidiary's additional tier 1 capital owned by minority shareholders: \$15.
- Other relevant numbers are taken from the example in Schedule HC-R, item 4.

(1)	Determine the risk-weighted assets of the subsidiary.	\$1,000
(2)	Determine the risk-weighted assets of the holding company that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	\$1,000
(3)	Multiply the lower of (1) or (2) by 8.5%. ¹⁴	$\$1,000 \times 8.5\% = \85
(4)	Determine the dollar amount of tier 1 capital for the subsidiary. If this amount is less than step (3), go directly to step (9). Otherwise continue on to step (5).	\$110
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus tier 1 capital of the subsidiary."	$\$110 - \$85 = \$25$
(6)	Determine the percent of the subsidiary's qualifying capital instruments that are owned by third parties (the minority shareholders).	$\$24 + 15 = \39 . Then $\$39/\$110 = 35.45\%$
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus tier 1 minority interest of the subsidiary."	$35.45\% \times \$25 = \8.86
(8)	Determine the total amount of tier 1 minority interest of the subsidiary. Then subtract the surplus tier 1 minority interest of the subsidiary (step 7) from this amount.	$\$24 + \$15 = \$39$. Then $\$39 - \$8.86 = \$30.14$
(9)	The "tier 1 minority interest includable at the holding company level" is the amount from step (8) (or from step (4) when there is no surplus tier 1 minority interest of the subsidiary).	\$30.14
(10)	Subtract any minority interest that is included in common equity tier 1 capital (from Schedule HC-R, item 4). The result is the minority interest included in additional tier 1 capital.	$\$30.14 - \21 (from example in item 4) = \$9.14.

¹⁴ The percentage multiplier in step (3) is the capital ratio necessary for the subsidiary to avoid restrictions on distributions and discretionary bonus payments.

Note: As indicated, this example built onto the example under the instructions for item 4, where the subsidiary was a depository institution, and where its common equity tier 1 minority interest was includable in common equity tier 1 capital. However, if this were a subsidiary other than a depository institution, none of its minority interest arising from common equity tier 1 would have been includable in common equity tier 1 capital. If the subsidiary in the example were not a depository institution, the full calculated amount of minority interest (\$30.14) would be includable in additional tier 1 capital of the reporting holding company since none of it would have been includable in common equity tier 1 capital.

Line item 23 Additional tier 1 capital before deductions.

Calculated item: the sum of items 20, 21, and 22.

Line item 24 LESS: Additional tier 1 capital deductions.

Report additional tier 1 capital deductions as the sum of the following elements:

Note that if a holding company does not have a sufficient amount of additional tier 1 capital to reflect these deductions, then the holding company must deduct the shortfall from common equity tier 1 capital (item 17).

(1) Investments in own additional tier 1 capital instruments:

Report the holding company's investments in (including any contractual obligation to purchase) its own additional tier 1 instruments, whether held directly or indirectly.

A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

- (i) Gross long positions in investments in a holding company's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
- (ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
- (iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the holding company's internal control processes.¹⁵

(2) Reciprocal cross-holdings in the capital of financial institutions.

¹⁵ See instructions for firms that would meet the thresholds for the market risk rule in Part II, General Instructions. As described below, a firm would need to determine whether a position is (i) a trading positions and (ii) a covered position for purposes of meeting this requirement.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Include investments in the additional tier 1 capital instruments of other financial institutions that the holding company holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. If the holding company does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

For example, if a holding company is required to deduct a certain amount from additional tier 1 capital and it does not have additional tier 1 capital, then the deduction should be from common equity tier 1 capital in Schedule HC-R, item 17.

(3) Non-significant investments in additional tier 1 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.

As noted in the instructions for HC-R, item 11 above, a holding company has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution.

Calculate this amount as follows:

- (1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1, and tier 2 capital.
- (2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.
- (3) If the amount in (1) is greater than the 10 percent threshold for non-significant investments (Schedules HC-R, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this item 24.
- (4) If the amount in (1) is less than the 10 percent threshold for non-significant investments, report zero.

For example, assume a holding company has a total of \$200 in non-significant investments (step 1), including \$60 in the form of additional tier 1 capital (step 2), and its 10 percent threshold for non-significant investments is \$100 (as calculated in step 4 of item 11). Since the aggregate amount of non-significant investments exceeds the 10 percent threshold for non-significant investments by \$100 (\$200-\$100), the holding company must multiply \$100 by the ratio of 60/200 (step 3). Thus, the holding company would need to deduct \$30 from its additional tier 1 capital.

(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from additional tier 1 capital.

Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.

(5) Other adjustments and deductions.

2014 Insurance QIS

QIS Instructions (modified for display purposes)

Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross holdings, non-significant investments in the tier 2 capital of unconsolidated financial institutions, and significant investments in the tier 2 capital of unconsolidated financial institutions).

All respondents:

Include 50 percent of the amount equal to the regulatory capital requirement for insurance underwriting risks established by the regulator of any insurance underwriting activities of the institution, including for international subsidiaries. The amount should represent the sum of the capital requirement for all consolidated legal entities, with no adjustment for diversification.

For example, respondents that calculate regulatory capital for insurance underwriting activities using the NAIC risk-based capital formulas are required to deduct regulatory capital attributable to the categories of the insurance risk-based capital that do not measure asset-specific risks. For companies using the life risk-based capital formula, organizations should deduct the regulatory capital requirement related to insurance risk and business risk. For companies using the property and casualty risk-based formula, organizations should deduct the regulatory capital requirement related to underwriting risk—reserves and underwriting risk— net written premiums. For companies using the health risk-based formula, organizations should deduct the regulatory capital requirement related to underwriting risk and business risk. Do not reduce the capital requirements for underwriting risk to reflect any diversification with other risks.

In the Supplemental Response Document, provide a breakdown of the regulatory capital requirements for insurance underwriting risks by the applicable regulatory regime and jurisdiction (e.g., NAIC-based state regulators' requirements, European and other regulators' requirements, including for captives), indicating the main reasons that drive the reporting differences among the applicable regulatory regimes

For those respondents with non-U.S. based subsidiaries please include a narrative in the Supplemental Response Document of what the respondent selected to be equivalent to 50 percent of the regulatory capital requirement for insurance underwriting risks. As mentioned above, do not reduce the capital requirements for underwriting risk to reflect any diversification with other risks.

Line item 25 Additional tier 1 capital.

Report the greater of Schedule HC-R, item 23 minus item 24, or zero.

Tier 1 capital

Line item 26 Tier 1 capital.

Calculated field: sum of items 19 and 25.

Tier 2 capital

For Reference: Eligibility criteria: Tier 2 capital¹⁶
1. Instrument is issued and paid-in full.
2. The instrument is subordinated to depositors and general creditors of the [BANK];
3. The instrument is not secured, not covered by a guarantee of the [BANK] or of an affiliate of the [BANK], and not subject to any other arrangement that legally or economically enhances the seniority of the instrument in relation to more senior claims
4. The instrument has a minimum original maturity of at least five years. At the beginning of each of the last five years of the life of the instrument, the amount that is eligible to be included in tier 2 capital is reduced by 20 percent of the original amount of the instrument (net of redemptions) and is excluded from regulatory capital when the remaining maturity is less than one year. In addition, the instrument must not have any terms or features that require, or create significant incentives for, the [BANK] to redeem the instrument prior to maturity
5. The instrument, by its terms, may be called by the [BANK] only after a minimum of five years following issuance, except that the terms of the instrument may allow it to be called sooner upon the occurrence of an event that would preclude the instrument from being included in tier 2 capital, a tax event, or if the issuing entity is required to register as an investment company pursuant to the Investment Company Act of 1940
6. The holder of the instrument must have no contractual right to accelerate payment of principal or interest on the instrument, except in the event of a receivership, insolvency, liquidation, or similar proceeding of the [BANK]
7. The instrument has no credit-sensitive feature, such as a dividend or interest rate that is reset periodically based in whole or in part on the [BANK]'s credit standing, but may have a dividend rate that is adjusted periodically independent of the [BANK]'s credit standing, in relation to general market interest rates or similar adjustments
8. The [BANK], or an entity that the [BANK] controls, has not purchased and has not directly or indirectly funded the purchase of the instrument
9. If the instrument is not issued directly by the [BANK] or by a subsidiary of the [BANK] that is an operating entity, the only asset of the issuing entity is its investment in the capital of the [BANK], and proceeds must be immediately available without limitation to the [BANK] or the [BANK]'s top-tier holding company in a form that meets or exceeds all the other criteria for tier 2 capital instruments under this table
10. Redemption of the instrument prior to maturity or repurchase requires the prior approval of the [AGENCY]
11. For an advanced approaches [BANK], the governing agreement, offering circular, or prospectus of an instrument issued after the date on which the advanced approaches [BANK] becomes subject to this must disclose that the holders of the instrument may be fully subordinated to interests held by the U.S. government in the event that the [BANK] enters into a receivership, insolvency, liquidation, or similar proceeding.

Line item 27 Tier 2 capital instruments plus related surplus.

¹⁶ Note that for purposes of this reference table, [BANK] refers to a QIS participant, on a consolidated basis, and [AGENCY] refers to the Federal Reserve Board.

2014 Insurance QIS QIS Instructions (modified for display purposes)

Report tier 2 capital instruments (that satisfy all eligibility criteria under the regulatory capital rules of the Federal Reserve) and related surplus.

Include instruments that were (i) issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 2 capital non-qualifying capital instruments (e.g., TruPS and cumulative perpetual preferred) under the Federal Reserve's general risk-based capital rules.

All respondents:

Surplus notes may be eligible for inclusion in tier 2 capital provided that they meet the proposed tier 2 capital eligibility criteria.

In the Supplemental Response Document, please report the amount of surplus notes that qualify as tier 2 capital instruments and is included in item 27; report the amount of surplus notes that do not qualify as tier 2 capital instruments and briefly describe why surplus notes would not meet tier 2 capital requirements, if applicable.

Line item 28 Non-qualifying capital instruments subject to phase out from tier 2 capital.

Report the total amount of non-qualifying capital instruments that were included in tier 2 capital and outstanding as of January 1, 2014, and that no longer meet the criteria of the regulatory capital rules.

This item is generally not applicable to depository institution holding companies with total consolidated assets of less than \$15 billion and 2010 MHCs that issued and included non-qualifying capital instruments prior to May 19, 2010, because these institutions may include such instruments in additional tier 1 and tier 2 capital in items 20 and 27, respectively.

Depository institution holding companies with total consolidated assets of \$15 billion or more as of December 31, 2009, that are not 2010 MHCs may include non-qualifying capital instruments that may not be included in tier 1 capital but that meet the criteria for tier 2 capital.

Line item 29 Total capital minority interest that is not included in tier 1 capital.

Report the amount of total capital minority interest not included in tier 1 capital, as described below. For each consolidated subsidiary, perform the calculations in steps (1) through (10) below. Sum up the results for each consolidated subsidiary and report the aggregate number in this item 29.

Example and a worksheet calculation: calculate total capital minority interest that is not included in tier 1 capital includable at the holding company level as follows:

Assumptions:

- This is a continuation of the example used in the instructions for Schedule HC-R, items 4 and 22.

2014 Insurance QIS

QIS Instructions (modified for display purposes)

- Assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the holding company that relate to the subsidiary: \$1,000.
- Subsidiary's total capital: \$130, which is composed of subsidiary's common equity tier 1 capital of \$80, and additional tier 1 capital of \$30, and tier 2 capital of \$20.
- Subsidiary's common equity tier 1 capital owned by minority shareholders: \$24.
- Subsidiary's additional tier 1 capital owned by minority shareholders: \$15.
- Subsidiary's tier 2 capital instruments owned by minority shareholders: \$15.

(1)	Determine the risk-weighted assets of the subsidiary.	<i>\$1,000</i>
(2)	Determine the risk-weighted assets of the holding company that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	<i>\$1,000</i>
(3)	Determine the lower of (1) or (2), and multiply that amount by 10.5%. ¹⁷	<i>$\\$1,000 \times 10.5\% = \\105</i>
(4)	Determine the dollar amount of total capital for the subsidiary. If this amount is less than step (3), go directly to step (9). Otherwise continue on to step (5).	<i>\$130</i>
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus total capital of the subsidiary."	<i>$\\$130 - \\$105 = \\$25$</i>
(6)	Determine the percent of the subsidiary's total capital instruments that are owned by third parties (the minority shareholders).	<i>$\\$24 + \\$15 + \\$15 = \\54. Then, $\\$54/\\$130 = 41.54\%$</i>
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus total capital minority interest of the subsidiary"	<i>$41.54\% \times \\$25 = \\10.39</i>
(8)	Determine the total amount of total capital minority interest of the subsidiary. Then subtract the surplus total capital minority interest of the subsidiary (step 7) from this amount.	<i>$\\$24 + \\$15 + \\$15 = \\54. Then $\\$54 - \\$10.39 = \\$43.62$.</i>
(9)	The "total capital minority interest includable at holding company level" is the amount from step (8) or step (4) where there is no surplus total capital minority interest of the subsidiary.	<i>$\\$43.62$ (report the lesser of \$43.62 or \$54; therefore \$43.62).</i>
(10)	Subtract from (9) any minority interest that is included in common equity tier 1 and additional tier 1 capital. The result is the total capital minority interest not included in tier 1 capital includable in total capital.	<i>$\\$43.62 - (\\$21 + \\$9.14) = \\13.48.</i>

¹⁷ The percentage multiplier in step (3) is the capital ratio necessary for a subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Line item 30 Allowance for loan and lease losses includable in tier 2 capital.

Report the portion of the holding company's allowance for loan and lease losses that is includable in tier 2 capital. None of the holding company's allocated transfer risk reserve, if any, is includable in tier 2 capital.

The amount reported in this item cannot exceed 1.25 percent of the institution's risk-weighted assets base for the ALLL calculation, as described in Part II, item 25.

The allowance for loan and lease losses equals Schedule HC, item 4.c, "Allowance for loan and lease losses," less Schedule HI-B, part II, Memorandum item 1, "Allocated transfer risk reserve included in Schedule HI-B, part II, item 7, " plus Schedule HC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures."¹⁸

Non-U.S. GAAP filers:

Specific instructions for reporting ALLL for non-GAAP respondents can be found in Part II: Risk-weighted Assets, item 6.

Line item 31 Unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures includable in Tier 2 capital.

Not applicable for QIS purposes.

Line item 32 Tier 2 capital before deductions.

Calculated item: the sum of, items 27 through 30, plus item 31.

Line item 33 LESS: Tier 2 capital deductions.

Report total tier 2 capital deductions as the sum of the following elements:

If a holding company does not have a sufficient amount of tier 2 capital to reflect these deductions, then the holding company must deduct the shortfall from additional tier 1 capital (item 24) or, if there is not enough additional tier 1 capital, from common equity tier 1 capital (item 17).

For example, if tier 2 capital is \$98, and if the holding company must make \$110 in tier 2 deductions, it would report \$98 in this item 33, and would take the additional \$12 deduction in item 24 (and in item 17, in the case of insufficient additional tier 1 capital to make the deduction in item 24).

(1) Investments in own additional tier 2 capital instruments.

Report the holding company's investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly.

¹⁸ Respondents should refer to the FR Y-9C instructions for purposes of calculating the relevant line items (http://www.federalreserve.gov/reportforms/forms/FR_Y-9C20140630_i.pdf).

2014 Insurance QIS
QIS Instructions (modified for display purposes)

A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

- (i) Gross long positions in investments in a holding company's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
- (ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
- (iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the holding company's internal control processes.

(2) Reciprocal cross-holdings in the capital of financial institutions.

Include investments in the tier 2 capital instruments of other financial institutions that the holding company holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

(3) Non-significant investments in tier 2 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.

Calculate this amount as follows (similar to item 11):

- (1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1, and tier 2 capital.
- (2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.
- (3) If (1) is greater than the 10 percent threshold for non-significant investments (item 11, step (4)), then, multiply the difference by the ratio of (2) over (1). Report this product in this line item.
- (4) If (1) is less than the 10 percent threshold for non-significant investments, enter zero.

For example, if a holding company has a total of \$200 in non-significant investments (step 1), including \$40 in the form of tier 2 capital (step 2), and its 10 percent threshold for non-significant investments is \$100 (as calculated in Schedule HC-R, item 11, step 4). Since the aggregate amount of non-significant investments exceeds the 10 percent threshold for non-significant investments by \$100 (\$200-\$100), the holding company would multiply \$100 by the ratio of 40/200 (step 3). Thus, the holding company would need to deduct \$20 from its tier 2 capital.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from tier 2 capital.

Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.

(5) Other adjustments and deductions.

Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules.

All respondents:

Include 50 percent of the amount equal to the regulatory capital requirement for insurance underwriting risks established by the regulator of any insurance underwriting activities of the institution, including for international subsidiaries. The amount should represent the sum of the capital requirement for all consolidated legal entities, with no adjustment for diversification.

Specifically, respondents that calculate their regulatory capital for insurance underwriting activities using the NAIC risk-based capital formulas are required to deduct regulatory capital attributable to the categories of the insurance risk-based capital that do not measure asset-specific risks. For companies using the life risk-based capital formula, organizations should deduct the regulatory capital requirement related to insurance risk and business risk. For companies using the property and casualty risk-based formula, organizations should deduct the regulatory capital requirement related to underwriting risk—reserves and underwriting risk— net written premiums. For companies using the health risk-based formula, organizations should deduct the regulatory capital requirement related to underwriting risk and business risk. Do not reduce the capital requirements for underwriting risk to reflect any diversification with other risks.

For those respondents with non-U.S. based subsidiaries please include a narrative in the Supplemental Response Document of what the respondent selected to be equivalent to 50 percent of the regulatory capital requirement for insurance underwriting risks. Do not reduce the capital requirements for underwriting risk to reflect any diversification with other risks.

Line item 34 Tier 2 capital.

Calculated field: the greater of item 32 less item 33, or zero.

Total capital

Line item 35 Total capital.

Calculated field: the sum of items 26 and 34.

Total assets for the leverage ratio

Line item 36 Average total consolidated assets.

All holding companies must report the amount of average total consolidated assets as reported in Schedule HC-K, item 5.¹⁹

All respondents:

- If daily average asset balances are not available, compute average assets using average weekly, monthly or quarterly balances. Use a consistent approach across legal entities and a consolidated level.
- Explain in the Supplemental Response Document any significant challenges or obstacles to daily average balance reporting. Identify material balances that would not be available on a daily basis.
- Include all on-balance sheet separate account assets (guaranteed and non-guaranteed), as defined in the Federal Reserve's regulatory capital rules, in the total consolidated assets.

Line item 37 LESS: Deductions from common equity tier 1 capital and additional tier 1.

Calculated field: the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule HC-R, items 6, 7, 8, 10(b), 11, 13 through 17, and item 24.

Line item 38 LESS: Other deductions from (additions to) assets for leverage ratio purposes.

Report the amount of any deductions from (additions to) total assets for leverage capital purposes that are not included in item 37, if applicable. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.

This item generally should not apply for purposes of this QIS. However, if a respondent makes any additional deductions from tier 1 capital (that are not included in item 37), the respondent should include such additional deductions in this line item. Please provide details in the Supplemental Response Document if the amount reported in this line item is greater than zero.

Line item 39 Total assets for the leverage ratio.

Calculated field: item 36 less items 37 and 38.

Total risk-weighted assets

Line item 40 Total risk-weighted assets.

Calculated field: the amount of total risk-weighted assets as reported in Part II, item 30.

Risk-based capital ratios

¹⁹ Respondents should refer to the FR Y-9C instructions for purposes of calculating the relevant line items (http://www.federalreserve.gov/reportforms/forms/FR_Y-9C20140630_i.pdf).

Line item 41 Common equity tier 1 capital ratio.

Calculated field: item 19 divided by item 40.

Line item 42 Tier 1 capital ratio.

Calculated field: item 26 divided by item 40.

Line item 43 Total capital ratio.

Calculated field: item 35 divided by item 40.

Leverage capital ratio

Line item 44 Tier 1 leverage ratio.

Calculated field: item 26 divided by item 39.

Part I Memoranda Items

Line Item M1

Provide a breakdown of material AOCI elements (from Part I, line item 3 above) as described in the instructions for Schedule HC, item 26(b), including:

- M1a: Unrealized gains (losses) on available for sale (AFS) debt securities²⁰
If available, provide a breakdown between credit and market components, as follows:
 - M1a1: Credit component of unrealized gains (losses) on AFS debt securities
 - M1a2: Market component of unrealized gains (losses) on AFS debt securities
- M1b: Unrealized gains (losses) on held to maturity (HTM) debt securities,²¹
- M1c: Unrealized gains (losses) on AFS equity securities,
- M1d: Amounts related to adjustments that reflect the net impact of unrealized gains and losses on AFS investments assuming the assets had been sold on the reporting date (shadow accounting adjustments) for:
 - M1d1: Deferred Acquisition Costs (DAC),
 - M1d2: Value of Business Acquired (VOBA),
 - M1d3: Unearned Revenue Liability (URL)
 - M1d4: Other
- M1e: Accumulated net gains (losses) on cash flow hedges,
- M1f: Amounts related to defined benefit post-retirement plan accounting, and
- M1g: Amounts related to foreign currency translation.

²⁰ Refer to Part II, Risk-weighted Assets Item 3 for instructions on classifying AFS securities.

²¹ Refer to Part II, Risk-weighted Assets Item 3 for instructions on classifying HTM securities.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Line Item M2

Report the aggregate amount of any items listed in Line Item M1 that are reported as a component of policyholder dividend obligation (if applicable).

Part II: Risk-weighted Assets

NOTE: Respondents should fill in only the information in yellow cells in the QIS Reporting Template. With limited exceptions, the amounts reported will be automatically risk-weighted in accordance with the regulatory capital rules, so portions of the instructions below that refer to risk-weight columns are generally included for descriptive purposes, but not all of these columns will not need to be individually completed for each item based on the design of the Reporting Template.

General Instructions: Separate Account Data

Instructions for separate account data apply to firms that report separate accounts in accordance with SAP or U.S. GAAP. Respondents should also refer to Part III, Separate Account Data, for further details. In addition, respondents with guaranteed separate accounts under the Basel III approach, as described below, should fill out the Separate Account Questionnaire, which is an attachment in the Supplemental Response Document.

Non-U.S. GAAP filers:

Please provide U.S. GAAP estimates of separate account assets reported on a best-efforts basis taking into consideration the materiality of the line item. Please provide brief details if the U.S. GAAP estimates of separate account assets do not include certain separate account assets that are included for SAP purposes or under foreign-equivalent regulations.

Under the Federal Reserve's regulatory capital rules (the Basel III approach), separate account is described as a legally segregated pool of assets owned and held by an insurance company and maintained separately from the company's general account assets for the benefit of an individual contract holder. To be a separate account:

- (1) The account must be legally recognized as a separate account under applicable law;
- (2) The assets in the account must be insulated from general liabilities of the insurance company under applicable law in the event of the insurance company's insolvency;
- (3) The insurance company must invest the funds within the account as directed by the contract holder in designated investment alternatives or in accordance with specific investment objectives or policies; and
- (4) All investment gains and losses, net of contract fees and assessments, must be passed through to the contract holder, provided that the contract may specify conditions under which there may be a minimum guarantee but must not include contract terms that limit the maximum investment return available to the policyholder.

Under the Basel III approach, a non-guaranteed separate account means a separate account where the company:

- (i) does not contractually guarantee either a minimum return or account value to the contract holder, and
- (ii) is not be required to hold reserves (in the general account) pursuant to its contractual obligations to a policyholder.

2014 Insurance QIS QIS Instructions (modified for display purposes)

Non-guaranteed separate accounts that meet these criteria are assigned to a zero percent risk weight category and reported in Part II, item 8.

Amounts to be reported in Column A-1

All other assets held in a separate account that do not qualify as non-guaranteed separate account assets are treated as guaranteed separate account assets and reported as part of the Totals for the appropriate line item in Column A (such guaranteed separate account assets will be automatically risk weighted in the Reporting Template in the same manner as other assets). In addition, the respondent should include in column A-1, Separate Account Assets with Guarantees, the portion of the Totals reported in Column A that represents the guaranteed separate account assets.

General Instructions: Risk-weighted Assets

Under the regulatory capital rules, assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of the collateral. The aggregate dollar or exposure amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are added together, and generally this sum is the holding company's total risk weighted assets which comprises the denominator of the risk-based capital ratio.

Exposure

The term "exposure" generally refers to loans to, securities issued by, balances due from, accrued interest receivable from, and all other exposures against the various entities with which the reporting holding company conducts its business. Generally, the exposure amount for on-balance sheet assets is the carrying value. In the case of derivative contracts, the exposure amount, or credit equivalent amount, is the sum of the current credit exposure (fair value of the contract, if positive) and the potential future exposure, subject to any applicable netting agreements. In the case of most off-balance sheet items, the exposure amount, or credit equivalent amount, is determined by multiplying the face value or notional amount of the off-balance sheet item by a credit conversion factor.

The regulatory capital rules also provide a definition in § .2 for the term exposure amount. The definition of exposure amount (discussed further below in this document) is used to determine the amount of an exposure that holding companies will report and risk weight on this schedule.

Credit Conversion Factors for Off-Balance Sheet Items

A summary of the credit conversion factors (CCFs) follows. For further information on these factors, refer to the regulatory capital rules. Note that where a holding company commits to provide a commitment, the holding company may apply the lower of the two applicable CCFs. Where a holding company provides a commitment structured as a syndication or participation, the holding company is only required to calculate the exposure amount for its pro rata share.

Off-balance sheet items subject to a zero percent conversion factor:

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- Unused portions of commitments that are unconditionally cancellable at any time by the holding company.

Off-balance sheet items subject to a 20 percent conversion factor:

- Commercial and similar letters of credit with an original maturity of one year or less, including short-term, self-liquidating, trade-related contingent items that arise from the movement of goods.
- Commitments with an original maturity of one year or less that are not unconditionally cancelable.

Off-balance sheet items subject to a 50 percent conversion factor:

- Transaction-related contingent items, including performance standby letters of credit, bid bonds, performance bonds, and warranties.
- Commitments with an original maturity exceeding one year that are not unconditionally cancelable by the holding company, including underwriting commitments, commercial letters of credit, and commercial credit lines.

Off-balance sheet items subject to a 100 percent conversion factor:

- Financial standby letters of credit.
- Repo-style transactions, including off-balance sheet securities lending transactions, off-balance sheet securities borrowing transactions, and repurchase agreements.
- Guarantees, certain credit-enhancing representations and warranties, and forward agreements.

The instructions for Part II, items 1 through 21 provide general directions for the allocation of holding company balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items to the risk weight categories in columns C through Q (and, for items 1 through 11 only, to the items adjusted from the totals reported in Part II, column A in column B). These instructions should provide sufficient guidance for most holding companies for risk-weighting their balance sheet assets and credit equivalent amounts. However, these instructions do not address every type of exposure. Holding companies should review the Federal Reserve's regulatory capital rules for the complete description of the applicable capital requirements.

Exposure Amount Subject to Risk Weighting

In general, holding companies need to risk weight the exposure amount. The exposure amount is defined in §.2 of the regulatory capital rules as follows:

- (1) For the on-balance sheet component of an exposure,²² the holding company's carrying value of the exposure.

²² Not including: (1) an available-for-sale or held-to-maturity security where the holding company has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule HC-R, Part I, item 3(a), (2) an over-the-counter (OTC) derivative contract, (3) a repo-style transaction or an eligible margin loan for which the holding company determines the exposure amount under §.37 of the regulatory capital rules, (4) a cleared transaction, (5) a default fund contribution, or (6) a securitization exposure.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- (2) For a security²³ classified as available-for-sale (AFS) or held-to-maturity (HTM) where the holding company has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a), the carrying value for the exposure (including net accrued but uncollected interest and fees)²⁴ less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI.
- (3) For AFS preferred stock classified as an equity under GAAP where the holding company has made the AOCI opt-out election, the carrying value less any net unrealized gains that are reflected in such carrying value, but are excluded from the holding company's regulatory capital components.
- (4) For the off-balance sheet component of an exposure,²⁵ the notional amount of the off-balance sheet component multiplied by the appropriate credit conversion factor (CCF) in §.33 of the regulatory capital rules.
- (5) For an exposure that is an OTC derivative contract, the exposure amount determined under §.34 of the regulatory capital rules.
- (6) For an exposure that is a derivative contract that is a cleared transaction, the exposure amount determined under §.35 of the regulatory capital rules.
- (7) For an exposure that is an eligible margin loan or repo-style transaction (including a cleared transaction) for which the holding company calculates the exposure amount as provided in §.37, the exposure amount determined under §.37 of the regulatory capital rules.
- (8) For an exposure that is a securitization exposure, the exposure amount determined under §.42 of the regulatory capital rules.

As indicated in the definition in §.2 of the regulatory capital rules, *carrying value* means with respect to an asset, the value of the asset on the balance sheet of the holding company determined in accordance with GAAP.

Amounts to Report in Column B

For items 1 through 9(d) and 11 of Part II, column B should include the amount of the reporting holding company's on-balance sheet assets that are deducted or excluded (not risk weighted) in the determination of risk-weighted assets. Column B should include assets that are deducted from capital (subject to the transition provisions of the regulatory capital rules, as applicable) such as goodwill; intangibles; gain on sale of securitization exposures; threshold deductions above the 10 percent individual or 15 percent combined limits for (1) deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, (2) mortgage servicing assets, net of associated DTLs, and (3) significant investments in the capital of unconsolidated financial institutions in the form of common stock; and any other assets that must be deducted in accordance with the requirements of the Federal Reserve. Column B should also include items that are excluded from the calculation of risk-weighted assets, such as the allowance for loan and lease losses, allocated transfer risk reserves, and certain on-balance sheet

²³ Not including: (1) a securitization exposure, (2) an equity exposure, or (3) preferred stock classified as an equity security under generally accepted accounting principles (GAAP).

²⁴ Where the holding company has made the AOCI opt-out election, accrued but uncollected interest and fees reported in Schedule HC, item 11, "Other assets," associated with available-for-sale (AFS) or held-to-maturity securities (HTM) that are not securitization exposures should be reported in Part II, item 8, "All other assets."

²⁵ Not including: (1) an OTC derivative contract, (2) a repo-style transaction or an eligible margin loan for which the holding company calculates the exposure amount under §.37 of the regulatory capital rules, (3) a cleared transaction, (4) a default fund contribution, or (5) a securitization exposure,

2014 Insurance QIS

QIS Instructions (modified for display purposes)

asset amounts associated with derivative contracts that are included in the calculation of the credit equivalent amounts of the derivative contracts. In addition, for items 1 through 9(d) and 11 of Part II, column B should include any difference between the balance sheet amount of an on-balance sheet asset and its exposure amount as described above under “Exposure Amount Subject to Risk Weighting.” Similarly, item 10 of Part II, column B should include any difference between the amount of an off-balance sheet item that is a securitization exposure and its exposure amount when the exposure amount will be risk weighted by applying a 1,250 percent risk weight. For items 1 through 9 and 11 of Part II, the sum of columns B through Q must equal the balance sheet asset amount reported in column A. For item 10 of Part II, the sum of columns B through Q must equal the amount of off-balance sheet items reported in column A.

For items 12 through 21 of Part II, column B should include the credit equivalent amounts of the reporting holding company’s derivative contracts and off-balance sheet items that are covered by the regulatory capital rules. For the off-balance sheet items in items 12 through 19, the credit equivalent amount to be reported in column B is calculated by multiplying the face, notional, or other amount reported in column A by the appropriate credit conversion factor. The credit equivalent amounts in column B are to be risk weighted in columns C through Q. For items 12 through 21 of Part II, the sum of columns C through Q must equal the credit equivalent amount reported in column B.

Treatment of Collateral and Guarantees

The rules for recognition of collateral are in §.37 and pertinent definitions in §.2 of the regulatory capital rules. The extent to which qualifying securities are recognized as collateral for risk-based capital purposes is determined by their current market value adjusted by any applicable volatility haircuts and other requirements of the regulatory capital rules. If an exposure is partially secured, that is, the adjusted market value of the pledged securities is less than the face amount of an asset or off-balance sheet exposure, only the portion that is covered by the adjusted market value of the collateral is to be reported in the risk-weight category item appropriate to the type of collateral. The uncovered portion of the exposure continues to be assigned to the initial risk-weight category item appropriate to the exposure. The face amount of an exposure secured by multiple types of qualifying collateral is to be reported in the risk-weight category items appropriate to the collateral types, apportioned according to the adjusted market value of the types of collateral.

The rules for recognition of guarantees and credit derivatives are in §.36 and pertinent definitions in §.2 of the regulatory capital rules. A holding company may recognize the credit risk mitigation benefits of an eligible guarantee or eligible credit derivative by substituting the risk weight associated with the protection provider for the risk weight assigned to the exposure. Please refer to the definitions of *eligible guarantee*, *eligible guarantor*, and *eligible credit derivative* in §.2 of the regulatory capital rules. Note that in the definition of eligible guarantee, where the definition discusses contingent guarantees, only contingent guarantees of the U.S. government or its agencies are recognized.

NOTE: Portions of exposures collateralized by deposits in other depository institutions in the United States (e.g., certificates of deposit issued by other banks or holding companies) should be risk weighted at 20 percent provided the reporting holding company has a perfected, first-priority

2014 Insurance QIS

QIS Instructions (modified for display purposes)

security interest. For portions of exposures collateralized by deposits in foreign depository institutions, the risk weight will be determined according to Table 2 in §.32(d) of the regulatory capital rules and will depend on the Country Risk Classification (CRC) of the home country of the foreign depository institution, provided the reporting holding company has a perfected first-priority security interest.

There is a general 20 percent risk weight floor on recognition of financial collateral. However, as indicated in §.37 of the regulatory capital rules, a holding company may assign a zero percent risk weight to the collateralized portion of an exposure where the financial collateral is cash on deposit at the bank. Under conditions specified in §.37 of the regulatory capital rules, a holding company may also assign a zero percent risk weight to the collateralized portion of an exposure where the financial collateral is U.S. Government securities, subject to a 20 percent discount to the fair value of the collateral. Also, as indicated in §.37, a holding company may assign a 10 percent risk weight to an OTC derivative contract that is marked-to-market daily and subject to daily margin maintenance, to the extent that the contract is collateralized by a sovereign exposure that qualifies for a zero percent risk weight under §.32 of the regulatory capital rules.

Treatment of Sales of 1-4 Family Residential First Mortgage Loans with Credit-Enhancing Representations and Warranties

When a holding company transfers mortgage loans with credit-enhancing representations and warranties in a transaction that qualifies for sale accounting under GAAP, the holding company will need to report and risk weight those exposures. The definition of “credit-enhancing representations and warranties” (CERWs) is found in §.2 of the regulatory capital rules. Most CERWs should be treated as securitization exposures for purposes of risk weighting. However, those CERWs that do not qualify as securitization exposures receive a 100 percent credit conversion factor as indicated in §.33 of the regulatory capital rules. For example, if the holding company has agreed to repurchase the loans that it has sold, it will generally need to risk weight those loans in Part II, item 17 until the warranties expire. Note that CERWs do not include certain early default clauses and similar warranties that permit the return of, or premium refund clauses covering, 1-4 family residential mortgage loans that qualify for a 50 percent risk weight provided the warranty period does not exceed 120 days from the date of transfer.

Example: A holding company sells \$100 in qualifying 1-4 family residential first mortgage loans and agrees to repurchase them in case of early default for up to 180 days. This warranty exceeds the 120 day limit, and therefore the full \$100 should be reported in Part II, item 17 until the warranty expires.

If the holding company has made a credit-enhancing representation and warranty that is limited or capped (e.g., a warranty to cover first losses on loans up to a set amount that is less than the full loan amount), such warranties are regarded as securitization exposures under the regulatory capital rules as they represent a transaction that has been separated into at least two tranches reflecting different levels of seniority for credit risk. (Refer to the definitions of *securitization exposure*, *synthetic securitization*, *traditional securitization*, and *tranche* in §.2 of the regulatory capital rules.) The holding company will need to report and risk weight these warranties in Part II, item 10, as off-balance sheet securitization exposures.

2014 Insurance QIS

QIS Instructions (modified for display purposes)

Example: A holding company sells \$100 in qualifying 1-4 family residential first mortgage loans and agrees to compensate the buyer up to \$2 if the loans default during the first 12 months. Twelve months exceeds the 120 day limit and therefore these are credit-enhancing representations and warranties. They are also securitization exposures because the \$2 is effectively a first loss tranche on a \$100 transaction. For purposes of reporting this transaction in Part II, item 10, the holding company should report \$100 in Column A, an adjustment of -\$98 in Column B, and then \$2 in Column Q as an exposure amount that is risk weighted by applying a 1,250 percent risk weight (if the holding company does not use the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach for purposes of risk weighting its securitization exposures). The holding company will not need to report any amount in columns R or S unless it uses the SSFA or Gross-Up Approach for calculating the risk weighted asset amount for this transaction.

Treatment of Exposures to Sovereign Entities and Foreign Banks

These instructions contain several references to Country Risk Classifications (CRC) used by the Organization for Economic Cooperation and Development (OECD). The CRC methodology classifies countries into one of eight risk categories (0-7), with countries assigned to the zero category having the lowest possible risk assessment and countries assigned to the 7 category having the highest possible risk assessment. The OECD regularly updates CRCs for more than 150 countries and makes the assessments publicly available on its website.²⁶ The OECD does not assign a CRC to every country; for example, it does not assign a CRC to a number of major economies; it also does not assign a CRC to many smaller countries. As such, the table below also provides risk weights for countries with no CRC based on whether or not those particular countries are members of the OECD. In addition, there is a higher risk weight of 150 percent for any country that has defaulted on its sovereign debt within the past 5 years, regardless of the CRC rating.

Risk weights for reported balance sheet (items 1 through 11) and off-balance sheet (items 12 through 21) exposures are to be assigned based upon the tables below:

- Exposures to foreign central governments (including foreign central banks):

		Risk Weight (%)
Home Country CRC	0-1	0
	2	20
	3	50
	4-6	100
	7	150
OECD Member with No CRC		0
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

Exposures to foreign banks:

	Risk Weight
--	-------------

²⁶ See <http://www.oecd.org/trade/xcred/crc.htm>.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

		(%)
Home Country CRC	0-1	20
	2	50
	3	100
	4-7	150
OECD Member with No CRC		20
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

General obligation exposures to foreign public sector entities:

		Risk Weight (%)
Home Country CRC	0-1	20
	2	50
	3	100
	4-7	150
OECD Member with No CRC		20
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

Revenue obligation exposures to foreign public sector entities:

		Risk Weight (%)
Home Country CRC	0-1	50
	2-3	100
	4-7	150
OECD Member with No CRC		50
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

All risk-weight categories pertaining to exposures to central foreign governments:

- All exposures to foreign central governments may be assigned a lower risk weight if the following conditions are met: (1) the exposures are denominated in the particular foreign country's local currency; (2) the holding company has at least equivalent liabilities in that currency; and (3) the risk weight is not lower than the risk weight that particular foreign country allows under its jurisdiction to assign to the same exposures to that country.

Summary of Risk Weights for Exposures to Government and Public Sector Entities

The following are some of the most common exposures to government and public sector entities and the risk weights that apply to them:

Column C – 0% column:

- All exposures (defined broadly to include securities, loans, and leases) that are direct exposures to, or the portion of exposures that are directly and unconditionally guaranteed

2014 Insurance QIS QIS Instructions (modified for display purposes)

by, the U.S. Government or U.S. Government agencies. This includes the portions of deposits insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).

- Exposures that are collateralized by cash on deposit in the reporting holding company.
- Exposures that are collateralized by securities issued or guaranteed by the U.S. Government, or other sovereign governments that qualify for the zero percent risk weight. Collateral value must be adjusted under §.37 of the regulatory capital rules.
- Exposures to, and the portions of exposures guaranteed by, the Bank for International Settlements, the European Central Bank, the European Commission, the International Monetary Fund, or a multilateral development bank (as specifically defined in §.2 of the regulatory capital rules).

Column G – 20% column:

- The portion of exposures that are conditionally guaranteed by the U.S. Government or U.S. Government agencies. This includes exposures, or the portion of exposures, conditionally guaranteed by the FDIC or the NCUA.
- The portion of exposures that are collateralized by cash on deposit in the holding company or by securities issued or guaranteed by the U.S. Government or U.S. Government agencies that are not included in zero percent column.
- General obligation exposures to U.S. states, municipalities, or other political subdivisions of the U.S.
- Exposures to U.S. government sponsored entities (GSEs) other than equity exposures or preferred stock, and risk sharing securities.

Column H – 50% column:

- Revenue obligation exposures to U.S. states, municipalities, or other political subdivisions of the U.S.

Column I – 100% column:

- Preferred stock of U.S. GSEs.

Risk-weighted Assets for Securitization Exposures

Definitions

- **A securitization exposure** is an on- or off-balance sheet credit exposure (including credit-enhancing representations and warranties) that arises from a traditional or synthetic securitization (including a resecuritization), or an exposure that directly or indirectly references a securitization exposure. Securitization exposures include asset-backed and mortgage-backed securities, other positions in securitization transactions, resecuritizations, and structured finance programs (except credit-enhancing interest-only strips).
- **Traditional securitization** is any transaction in which:
 - (1) All or a portion of the credit risk of one or more underlying exposures is transferred to one or more third parties other than through the use of credit derivatives or guarantees;
 - (2) The credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority;

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- (3) Performance of the securitization exposures depends upon the performance of the underlying exposures;
- (4) All or substantially all of the underlying exposures are financial exposures (such as loans, commitments, credit derivatives, guarantees, receivables, asset-backed securities, mortgage-backed securities, other debt securities, or equity securities);
- (5) The underlying exposures are not owned by an operating company;
- (6) The underlying exposures are not owned by a small business investment company defined in section 302 of the Small Business Investment Act;
- (7) The underlying exposures are not owned by a firm an investment in which qualifies as a community development investment under section 24(Eleventh) of the National Bank Act; and
- (8) The transaction is not:
 - (i) An investment fund;
 - (ii) A collective investment fund as defined in 12 CFR 208.34;
 - (iii) An employee benefit plan (as defined in paragraphs (3) and (32) of section 3 of ERISA), a “governmental plan” (as defined in 29 U.S.C. 1002(32)) that complies with the tax deferral qualification requirements provided in the Internal Revenue Code, or any similar employee benefit plan established under the laws of a foreign jurisdiction;
 - (iv) A synthetic exposure to the capital of a financial institution to the extent deducted from capital under §1.22; or
 - (v) Registered with the SEC under the Investment Company Act of 1940 (15 U.S.C. 80a–1) or foreign equivalents thereof.

The Board may determine that a transaction in which the underlying exposures are owned by an investment firm that exercises substantially unfettered control over the size and composition of its assets, liabilities, and off-balance sheet exposures is not a traditional securitization based on the transaction’s leverage, risk profile, or economic substance.

The Board may deem a transaction that meets the definition of a traditional securitization, notwithstanding criteria (5), (6), or (7) of this definition, to be a traditional securitization based on the transaction’s leverage, risk profile, or economic substance.

- ***Synthetic securitization*** is any transaction in which:
 - (1) All or a portion of the credit risk of one or more underlying exposures is retained or transferred to one or more third parties through the use of one or more credit derivatives or guarantees (other than a guarantee that transfers only the credit risk of an individual retail exposure);
 - (2) The credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority;
 - (3) Performance of the securitization exposures depends upon the performance of the underlying exposures; and
 - (4) All or substantially all of the underlying exposures are financial exposures (such as loans, commitments, credit derivatives, guarantees, receivables, asset-backed securities, mortgage-backed securities, other debt securities, or equity securities).

2014 Insurance QIS

QIS Instructions (modified for display purposes)

- **Resecuritization** is a securitization which has more than one underlying exposure and in which one or more of the underlying exposures is a securitization exposure.
- **Non-traditional securitization exposures:** In addition to identifying debt securities that are defined as securitizations under the regulatory capital rules, respondents may also need to analyze certain forms of lending transactions. Securitization exposures may include certain lending activities not traditionally thought of as securitizations. Examples of such activities include lending to investment companies or special purpose entities where credit tranching exists in the form of overcollateralization, advance rates, refundable purchase price discounts, reserve accounts, etc.
- **Exposures that are NOT securitizations:**
 - A specialized loan to finance the construction or acquisition of large-scale projects (for example, airports or power plants), objects (for example, ships, aircraft, or satellites), or commodities (for example, reserves, inventories, precious metals, oil, or natural gas) generally would not be a securitization exposure because the assets backing the loan typically are nonfinancial assets (the facility, object, or commodity being financed).
 - An operating company does not fall under the definition of a traditional securitization (even if substantially all of its assets are financial exposures). Operating companies generally refer to companies that are established to conduct business with clients with the intention of earning a profit in their own right and generally produce goods or provide services beyond the business of investing, reinvesting, holding, or trading in financial assets. Accordingly, an equity investment in an operating company generally would be an equity exposure. However, investment firms that generally do not produce goods or provide services beyond the business of investing, reinvesting, holding, or trading in financial assets, would not be operating companies under the final rule and would not qualify for this general exclusion from the definition of traditional securitization.

Three approaches for risk-weighting securitization exposures

There are three approaches to determine the risk weight for a securitization exposure: the Simplified Supervisory Formula Approach (SSFA), the Gross-Up Approach, or the 1,250 Percent Risk Weight Approach. The respondents should apply these approaches as follows for purposes of this QIS:

- (i) The SSFA approach if the firm would be subject to the market risk rule, or
- (ii) The gross-up approach if the firm would not be subject to the market risk rule, or
- (iii) If the firm cannot, or chooses not to, apply the SSFA or the Gross-Up Approach to an individual securitization exposure, the firm must assign a 1,250 percent risk weight to that exposure.

Under each of the three approaches, the risk-based capital requirement for a position in a securitization or structured finance program (hereafter referred to collectively as a securitization) is computed by multiplying the calculated amount of the position (as described in subsection (a) below) by the appropriate risk weight (described in subsections (b), (c), and (d) below).

2014 Insurance QIS

QIS Instructions (modified for display purposes)

If a securitization exposure is not an after-tax gain-on-sale resulting from a securitization that requires deduction, or the portion of credit enhancing interest-only (CEIO) strip that does not constitute an after-tax gain-on-sale, a holding company may assign a risk weight to the securitization exposure using the SSFA if certain requirements are met.

However, the holding company must apply either the SSFA or the Gross-Up Approach consistently across all of its securitization exposures. If the holding company cannot, or chooses not to, apply the SSFA or the Gross-Up Approach to an individual securitization exposure, the holding company must assign a 1,250 percent risk weight to that exposure.

Both traditional and synthetic securitizations must meet certain operational requirements before applying either the SSFA or the Gross-Up Approach. Furthermore, holding companies must complete certain due diligence requirements and satisfactorily demonstrate a comprehensive understanding of the features of the securitization exposure that would materially affect the performance of the exposure. If these due diligence requirements are not met, the holding company must assign the securitization exposure a risk weight of 1,250 percent. The holding company's analysis must be commensurate with the complexity of the securitization exposure and the materiality of the exposure in relation to its capital. Holding companies should refer to the regulatory capital rules to review the details of these operational and due diligence requirements.

For example, a holding company not subject to the market risk rules has 12 securitization exposures. The operational and due diligence requirements have been met for 10 of the exposures, to which the holding company applies the Gross-Up Approach. The holding company then assigns a 1,250 percent risk weight to the other two exposures. Alternatively, the holding company could assign a 1,250 percent risk weight to all 12 securitization exposures.

a. Exposure Amount Calculation

The exposure amount of an on-balance sheet securitization exposure that is not an available-for-sale or held-to-maturity security where the holding company has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule HC-R, Part I, item 3(a), a repo-style transaction, an eligible margin loan, an over-the-counter (OTC) derivative contract, or a cleared transaction is equal to the carrying value of the exposure.

The exposure amount of an off-balance sheet securitization exposure that is not a repo-style transaction, an eligible margin loan, a cleared transaction (other than a credit derivative), an OTC derivative contract (other than a credit derivative), or an exposure to an asset-backed commercial paper (ABCP) program is the notional amount of the exposure.

For an off-balance sheet securitization exposure to an ABCP program, such as an eligible ABCP liquidity facility, the notional amount may be reduced to the maximum potential amount that the holding company could be required to fund given the ABCP program's current underlying assets (calculated without regard to the current credit quality of those assets). An exposure amount of an eligible ABCP liquidity facility for which the SSFA does not apply is calculated by multiplying the notional amount of the exposure by a credit conversion factor (CCF) of 50

2014 Insurance QIS

QIS Instructions (modified for display purposes)

percent. An exposure amount of an eligible ABCP liquidity facility for which the SSFA does apply is calculated by multiplying the notional amount of the exposure by a CCF of 100 percent.

The exposure amount of a securitization exposure that is a repo-style transaction, eligible margin loan, or derivative contract (other than a credit derivative) is the exposure amount of the transaction as calculated using the instructions for calculating the exposure amount of over-the-counter derivatives or collateralized transactions outlined in §.34 or §.37, respectively, of the regulatory capital rules.

If a holding company has multiple securitization exposures that provide duplicative coverage to the underlying exposures of a securitization, the holding company is not required to hold duplicative risk-based capital against the overlapping position. Instead, the holding company may apply to the overlapping position the applicable risk-based capital treatment that results in the highest risk-based capital requirement.

If a holding company provides support to a securitization in excess of the holding company's contractual obligation to provide credit support to the securitization (implicit support) it must include in risk-weighted assets all of the underlying exposures associated with the securitization as if the exposures had not been securitized and must deduct from common equity tier 1 capital any after-tax gain-on-sale resulting from the securitization.

b. Simplified Supervisory Formula Approach (SSFA)

To use the SSFA to determine the risk weight for a securitization exposure, a holding company must have data that enables it to accurately assign the parameters. The data used to assign the parameters must be the most currently available data and no more than 91 calendar days old. A holding company that does not have the appropriate data to assign the parameters must assign a risk weight of 1,250 percent to the exposure. See the operational requirements outlined in §.43 of the regulatory capital rules for further instructions.

To calculate the risk weight for a securitization exposure using the SSFA, a holding company must have accurate information on the following five inputs to the SSFA calculation:

- Parameter K_G is the weighted-average (with unpaid principal used as the weight for each exposure) total capital requirement of the underlying exposures calculated. K_G is expressed as a decimal value between zero and 1 (that is, an average risk weight of 100 percent represents a value of K_G equal to .08).
- Parameter W is the ratio of the sum of the dollar amounts of any underlying exposures within the securitized pool to the ending balance, measured in dollars, of underlying exposures, that meet any of the following criteria: (1) 90 days or more past due; (2) subject to a bankruptcy or insolvency proceeding; (3) in the process of foreclosure; (4) held as real estate owned; (5) has contractually deferred interest payments for 90 days or more (other than in the case of deferments on federally guaranteed student loans and certain consumer loans deferred according to provisions in the contract); or (6) is in default. Parameter W is expressed as a decimal value between zero and one.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- Parameter A is the attachment point for the exposure, which represents the threshold at which credit losses will first be allocated to the exposure. Parameter A equals the ratio of the current dollar amount of underlying exposures that are subordinated to the exposure of the holding company to the current dollar amount of underlying exposures. Any reserve account funded by the accumulated cash flows from the underlying exposures that is subordinated to the holding company's securitization exposure may be included in the calculation of parameter A to the extent that cash is present in the account. Parameter A is expressed as a decimal value between zero and one.
- Parameter D is the detachment point for the exposure, which represents the threshold at which credit losses of principal allocated to the exposure would result in a total loss of principal. Parameter D equals parameter A plus the ratio of the current dollar amount of the securitization exposures that are pari passu with the exposure (that is, have equal seniority with respect to credit risk) to the current dollar amount of the underlying exposures. Parameter D is expressed as a decimal value between zero and one.
- A supervisory calibration parameter, p , is equal to 0.5 for securitization exposures that are not resecuritization exposures and equal to 1.5 for resecuritization exposures.

There are three steps to calculating the risk weight for a securitization using the SSFA. First, a holding company must complete the following equations using the previously described parameters:

$$K_A = (1 - W) \cdot K_G + (0.5 \cdot W)$$
$$a = -\frac{1}{p \cdot K_A}$$
$$u = D - K_A$$
$$l = \max(A - K_A, 0)$$
$$e = 2.71828, \text{ the base of the natural logarithms}$$

Second, using the variables calculated in first step, find the value of K_{SSFA} using the formula below:

$$K_{SSFA} = \frac{e^{a \cdot u} - e^{a \cdot l}}{a(u - l)}$$

Third, the risk weight of any particular securitization exposure (expressed as a percent) will be equal to:

$$K_{SSFA} \times 1,250$$

To determine the risk-based capital requirement under the SSFA, multiply the exposure amount by the higher of either (1) the calculated risk weight or (2) a 20 percent risk weight.

c. Gross-Up Approach

2014 Insurance QIS

QIS Instructions (modified for display purposes)

A firm that is not subject to the market risk rule, as described below, may apply the gross-up approach instead of the SSFA to determine the risk weight of its securitization exposures, provided that it applies the gross-up approach consistently to all of its securitization exposures.

To calculate the risk weight for a securitization exposure using the gross-up approach, a holding company must calculate the following four inputs:

1. Pro rata share, which is the par value of the holding company's securitization exposure as a percent of the par value of the tranche in which the securitization exposure resides.
2. Enhanced amount, which is the par value of the tranches that are more senior to the tranche in which the holding company's securitization resides.
3. Exposure amount of the holding company's securitization exposure.
4. Risk weight, which is the weighted-average risk weight of underlying exposures in the securitization pool.

The holding company would calculate the credit equivalent amount which is equal to the sum of the exposure amount of the holding company's securitization exposure (3) and the pro rata share (1) multiplied by the enhanced amount (2).

A holding company must assign the higher of the weighted-average risk weight (4) or a 20 percent risk weight to the securitization exposure using the gross-up approach.

To determine the risk-based capital requirement under the gross-up approach, multiply the higher of the two risk weights by the credit equivalent amount. These steps are outlined in the worksheet below:

Gross-Up Approach Worksheet to Calculate the Capital Charge for a Securitization

- | | |
|--|-------|
| (a) Currently outstanding par value of the holding company's subordinated security divided by the currently outstanding par value of the entire tranche (e.g., 60% ²⁷) | _____ |
| (b) Currently outstanding par value of the more senior positions in the securitization that are supported by the tranche in which the holding company owns a subordinated security | _____ |
| (c) Pro rata share of the more senior positions currently outstanding in the securitization that are supported by the holding company's subordinated security: enter (b) multiplied by (a) | _____ |
| (d) Face amount ²⁸ of the holding company's subordinated security | _____ |
| (e) Enter the sum of (c) and (d) | _____ |
| (f) The higher of the weighted average risk weight applicable to the assets underlying the securitization (e.g., 100%) or 20% | _____ |

²⁷ For example, if the currently outstanding par value of the entire tranche is \$100 and the currently outstanding par value of the holding company's subordinated security is \$60, then the holding company would enter 60% in (a).

²⁸ For risk-based capital purposes, the "face amount" of an available-for-sale security and a held-to-maturity security is its amortized cost; the "face amount" of a trading security is its fair value.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- (g) Risk-weighted asset amount of the holding company's subordinated security: enter (e) multiplied by (f) _____
- (h) Capital charge for the risk-weighted asset amount of the holding company's subordinated security: enter (g) multiplied by 8% _____

Reporting in Schedule HC-R When Using the Gross-Up Approach:

If the holding company's subordinated security is a held-to-maturity securitization exposure, the amortized cost of this security is included on the Report of Condition balance sheet in Schedule HC, item 2(a), "Held-to-maturity securities," and on the regulatory capital schedule in column A of Part II, item 9(a), "On-balance sheet securitization exposures – Held-to-maturity securities." A held-to-maturity security is risk-weighted using its amortized cost. Because the holding company's security could be subject to the pro rata gross-up treatment for risk-based capital purposes, the holding company's pro rata share of the more senior positions supported by its subordinated security is also subject to risk-weighting, which is the amount from line (c) in the gross-up calculation above. Therefore, the holding company must report the amount from line (c) as a negative number in column B of Part II, item 9(a). The holding company must then report the sum of the face amount of its purchased subordinated security and the pro rata share of the more senior positions currently outstanding that are supported by the holding company's subordinated security from line (e) in the gross-up calculation above in column S of Part II, item 9(a).

If the holding company's subordinated security is an available-for-sale securitization exposure, the fair value of this security is included on the Report of Condition balance sheet in Schedule HC, item 2(b), "Available-for-sale securities," and on the regulatory capital schedule in column A of Part II, item 9(b), "On-balance sheet securitization exposures – Available-for-sale securities." Because available-for-sale securities are risk-weighted using their amortized cost rather than their fair value, a gross unrealized loss on the holding company's security (i.e., fair value is less than amortized cost) should be reported as a negative number in column B of Part II, item 9(b); a gross unrealized gain (i.e., fair value is greater than amortized cost) should be reported as a positive number in column B of Part II, item 9(b). In addition, because the holding company's securitization exposure could be subject to the pro rata gross-up treatment for risk-based capital purposes, the holding company's pro rata share of the more senior positions supported by its subordinated security is also subject to risk-weighting, which is the amount from line (c) in the gross-up calculation worksheet above. Therefore, the holding company must report the amount from line (c) as a negative number in column B of Part II, item 9(b). The holding company must then report the sum of the face amount of its subordinated security and the pro rata share of the more senior positions currently outstanding that are supported by the holding company's subordinated security from line (e) in the gross-up calculation worksheet above in column S of Part II, item 9(b).

If the holding company's subordinated security is a trading securitization exposure, the fair value of this security is included on the balance sheet in Schedule HC, item 5, "Trading assets," and on the regulatory capital schedule in column A of Part II, item 9(c), "On-balance sheet securitization exposures - Trading assets that receive standardized charges." A trading security is risk-weighted using its fair value if the holding company is not subject to the market risk rule.

2014 Insurance QIS QIS Instructions (modified for display purposes)

Because the holding company's security is subject to the pro rata gross-up treatment for risk-based capital purposes, the holding company's pro rata share of the more senior positions supported by its subordinated security is also subject to risk-weighting, which is the amount from line (c) in the gross-up calculation worksheet above. Therefore, the holding company must report the amount from line (c) as a negative number in column B of Part II, item 9.c. The holding company must then report the sum of the face amount of its purchased subordinated security and the pro rata share of the more senior positions currently outstanding that are supported by the holding company's subordinated security from line (e) in the gross-up calculation above in column S of Part II, item 9.c .

d. 1,250 Percent Risk Weight Approach

If the holding company cannot, or chooses not to apply the SSFA or the Gross-Up Approach to the securitization exposure, the holding company must assign a 1,250 percent risk weight to the exposure.

Firms that would meet the thresholds for the market risk rule²⁹

Respondents that are projected to meet the thresholds for applying market risk capital rule, as described below, as of December 31, 2014 should send an email to the Federal Reserve, indicating that the respondent would meet the thresholds for the market risk rule. Such respondents will be provided with further specific instructions on reporting the applicable line items, based on the respondent's technical abilities to provide data under the market risk rule. In general, such respondents should apply the SSFA approach for purposes of reporting securitization exposures, as described above.

All other respondents should report zero in this item.

Thresholds for the market risk rule: In general, a holding company is subject to the market risk capital rule if its consolidated trading activity, defined as the sum of trading assets and liabilities as reported in its FR Y9-C equals: (1) 10 percent or more of the holding company's total assets as reported in its FR Y-9C for the previous quarter, or (2) \$1 billion or more.

A holding company that is subject to the market risk rule must hold capital to support its exposure to general market risk arising from fluctuations in interest rates, equity prices, foreign exchange rates, and commodity prices and its exposure to specific risk associated with certain debt and equity positions.

A *covered position* is a trading asset or trading liability (whether on- or off-balance sheet), as reported on Schedule HC-D that is held for any of the following reasons:

- (1) For the purpose of short-term resale;
- (2) With the intent of benefiting from actual or expected short-term price movements;
- (3) To lock in arbitrage profits; or
- (4) To hedge another covered position.

²⁹ See subpart F of the regulatory capital rules (78 FR 198 (October 11, 2013)), available at <http://www.gpo.gov/fdsys/pkg/FR-2013-10-11/pdf/2013-21653.pdf>.

2014 Insurance QIS

QIS Instructions (modified for display purposes)

Covered positions include all positions in a holding company's trading account and foreign exchange and commodity positions, whether or not in the trading account. Covered positions generally should not be risk-weighted as part of the holding company's gross credit risk-weighted assets. However, foreign exchange positions that are outside of the trading account and all over-the-counter (OTC) derivatives as well as cleared transactions and unsettled transactions continue to have a counterparty credit risk capital charge. Those positions are included in both gross risk-weighted assets for credit risk and the holding company's covered positions for market risk.

Additionally, the trading asset or trading liability must be free of any restrictive covenants on its tradability or the holding company must be able to hedge the material risk elements of the trading asset or trading liability in a two-way market. A covered position also includes a foreign exchange or commodity position, regardless of whether the position is a trading asset or trading liability (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions).

A covered position does not include:

- (1) An intangible asset (including any servicing asset);
- (2) A hedge of a trading position that is outside the scope of the holding company's hedging strategy (required by the market risk capital rule);
- (3) Any position that, in form or substance, acts as a liquidity facility that provides support to asset-backed commercial paper;
- (4) A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the regulatory capital rules for credit risk;
- (5) An equity position that is not publicly traded (other than a derivative that references a publicly traded equity);
- (6) A position held with the intent to securitize; or
- (7) A direct real estate holding.

Covered positions generally should not be risk-weighted as part of the holding company's gross risk-weighted assets. However, foreign exchange positions that are outside of the trading account and all OTC derivatives continue to have a counterparty credit risk capital charge. Those positions are included in both gross risk-weighted assets for credit risk and the holding company's covered positions for market risk.

Balance Sheet Asset Categories

Credit-Enhancing Interest-Only Strips - Portions of credit-enhancing interest-only strips that do not constitute an after-tax gain-on-sale and do not qualify as securitization exposures must be risk-weighted at 1,250 percent and reported in the appropriate Part II, balance sheet asset category (items 2 through 8). Note: Many credit-enhancing interest-only strips would be considered securitization exposures and must be reported in Part II, item 9, for purposes of calculating risk-weighted assets.

Treatment of Embedded Derivatives – If a holding company has a hybrid contract containing an embedded derivative that must be separated from the host contract and accounted for as a

2014 Insurance QIS

QIS Instructions (modified for display purposes)

derivative instrument under ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended), then the host contract and embedded derivative should be treated separately for risk-based capital purposes. When the fair value of the embedded derivative has been reported as part of the holding company’s assets on Schedule HC – Balance Sheet, that fair value (whether positive or negative) should be reported (as a positive or negative number) in column B of the corresponding asset category item in Part II (items 1 to 11). The host contract, if an asset, should be risk weighted according to the obligor or, if relevant, the guarantor or the nature of the collateral.

In the Supplemental Response Document, please provide a breakout of the embedded derivatives reported in this items 1 through 11, by type and amount.

Definition of Embedded Derivative (FR Y-9C Glossary excerpt)

- Contracts that do not in their entirety meet the definition of a derivative instrument, such as bonds, insurance policies, and leases, may contain “embedded” derivative instruments. Embedded derivatives are implicit or explicit terms within a contract that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument. The effect of embedding a derivative instrument in another type of contract (“the host contract”) is that some or all of the cash flows or other exchanges that otherwise would be required by the host contract, whether unconditional or contingent upon the occurrence of a specified event, will be modified based on one or more of the underlyings.
- An embedded derivative instrument shall be separated from the host contract and accounted for as a derivative instrument, i.e., bifurcated, if and only if all three of the following conditions are met:
 - (1) The economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract,
 - (2) The contract (“the hybrid instrument”) that embodies the embedded derivative and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and
 - (3) A separate instrument with the same terms as the embedded derivative instrument would be a considered a derivative.
- An embedded derivative instrument in which the underlying is an interest rate or interest rate index that alters net interest payments that otherwise would be paid or received on an interest-bearing host contract is considered to be clearly and closely related to the host contract unless either of the following conditions exist:
 - (1) The hybrid instrument can contractually be settled in such a way that the investor (holder) would not recover substantially all of its initial recorded investment, or
 - (2) The embedded derivative could at least double the investor’s initial rate of return on the host contract and could also result in a rate of return that is at least twice what otherwise would be the market return for a contract that has the same terms as the

2014 Insurance QIS

QIS Instructions (modified for display purposes)

host contract and that involves a debtor with a similar credit quality.

- Examples of hybrid instruments (not held for trading purposes) with embedded derivatives which meet the three conditions listed above and must be accounted for separately include debt instruments (including deposit liabilities) whose return or yield is indexed to: changes in an equity securities index (e.g., the Standard & Poor's 500); changes in the price of a specific equity security; or changes in the price of gold, crude oil, or some other commodity. For purposes of these reports, when an embedded derivative must be accounted for separately from the host contract under ASC Topic 815, the carrying value of the host contract and the fair value of the embedded derivative may be combined and presented together on the balance sheet in the asset or liability category appropriate to the host contract.
- Under ASC Subtopic 815-15, Derivatives and Hedging – Embedded Derivatives (formerly FASB Statement No. 155, “Accounting for Certain Hybrid Financial Instruments”), a bank with a hybrid instrument for which bifurcation would otherwise be required is permitted to irrevocably elect to initially and subsequently measure the hybrid instrument in its entirety at fair value with changes in fair value recognized in earnings. In addition, ASC Subtopic 815-15 subjects all but the simplest forms of interest-only and principal-only strips and all forms of beneficial interests in securitized financial assets to the requirements of ASC Topic 815. Thus, a bank must evaluate such instruments to identify those that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. However, a beneficial interest that contains a concentration of credit risk in the form of subordination to another financial instrument and certain securitized interests in prepayable financial assets are not considered to contain embedded derivatives that must be accounted for separately from the host contract. For further information, see ASC Subtopic 815-15, Derivatives and Hedging – Embedded Derivatives (formerly Derivatives Implementation Group Issue No. B40, “Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets”).
- Except in limited circumstances, interest-only and principal-only strips and beneficial interests in securitized assets that were recognized prior to the effective date (or early adoption date) of ASC Subtopic 815-15 are not subject to evaluation for embedded derivatives under ASC Topic 815.

Treatment of FDIC Loss-Sharing Agreements – Loss-sharing agreements entered into by the FDIC with acquirers of assets from failed institutions are considered conditional guarantees for risk-based capital purposes due to contractual conditions that acquirers must meet. The guaranteed portion of assets subject to a loss-sharing agreement may be assigned a 20 percent risk weight. Because the structural arrangements for these agreements vary depending on the specific terms of each agreement, holding companies should consult with their Federal Reserve Bank to determine the appropriate risk-based capital treatment for specific loss-sharing agreements.

Allocated Transfer Risk Reserve (ATRR) – If the reporting holding company is required to establish and maintain an ATRR as specified in Section 905(a) of the International Lending

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Supervision Act of 1983, the ATRR should be reported in Part II, item 29. The ATRR is not eligible for inclusion in either tier 1 or tier 2 capital.

Any ATRR related to loans and leases held for investment is included on the balance sheet in Schedule HC, item 4(c), "Allowance for loan and lease losses," and separately disclosed in Schedule HI-B, part II, Memorandum item 1. However, if the holding company must maintain an ATRR for any asset other than a loan or lease held for investment, the balance sheet category for that asset should be reported net of the ATRR on Schedule HC. In this situation, the ATRR should be reported as a negative number (i.e., with a minus (-) sign) in column B, "Adjustments to total reported in Column A," of the corresponding asset category in Part II, items 1 through 5 and 7 through 10. The amount to be risk-weighted for this asset in columns C through Q, as appropriate, would be its net carrying value plus the ATRR. For example, a holding company has a held-to-maturity security issued by a foreign commercial company against which it has established an ATRR of \$20. The security, net of the ATRR, is included in Schedule HC, item 2(a), "Held-to-maturity securities," at \$80. The security should be included in Part II, item 2(a), column A, at \$80. The holding company should include \$-20 in Part II, item 2(a), column B, and \$100 in item 2(a), column I.

Specific Instructions: Risk-weighted Assets

On-balance Sheet Assets

Item No. Caption and Instructions

- 1 Cash and balances due from depository institutions.** Report in column A the amount of cash and balances due from depository institutions reported in Schedule HC, sum of items 1(a) and 1(b), excluding those balances due from depository institutions that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The amount of those balances due from depository institutions reported in Schedule HC, items 1(a) and 1(b) that qualify as securitization exposures must be reported in Part II, item 9(d), column A.

In column C—0% risk weight, include:

- o The amount of currency and coin reported in Schedule HC, item 1(a);
- o Any balances due from Federal Reserve Banks reported in Schedule HC, item 1(b); and
- o The insured portion of deposits in FDIC-insured depository institutions and NCUA-insured credit unions reported in Schedule HC, items 1(a) and 1(b).

In column G—20% risk weight, include:

- o Any balances due from insured depository institutions and credit unions that are organized under the laws of the United States or a U.S. state reported in Schedule HC, items 1(a) and 1(b), in excess of any applicable FDIC or NCUA deposit insurance limits for deposit exposures or where the depository institutions are not insured by either the FDIC or the NCUA;
- o Any balances due from Federal Home Loan Banks reported in Schedule HC, items 1(a) and 1(b); and
- o The amount of cash items in the process of collection reported in Schedule HC, item 1(a).

In column I—100% risk weight, include all other amounts that are not reported in columns C through Q.

Cash and balances due from depository institutions that must be risk-weighted according to the Country Risk Classification (CRC) methodology:

- o *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:*
- o The amounts reported in Schedule HC, items 1(a) and 1(b), composed of balances due from foreign depository institutions;
- o Any balances due from foreign central banks.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

If the reporting holding company is the correspondent holding company in a pass-through reserve balance relationship, report in column C the amount of its own reserves as well as those reserve balances actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions.

If the reporting holding company is the respondent holding company in a pass-through reserve balance relationship, report in column C the amount of the holding company's reserve balances due from its correspondent holding company that its correspondent has actually passed through to a Federal Reserve Bank on the reporting holding company's behalf, i.e., for purposes of this item, treat these balances as balances due from a Federal Reserve Bank.

If the reporting holding company is a participant in an excess balance account at a Federal Reserve Bank, report in column C the holding company's balance in this account.

If the reporting holding company accounts for any holdings of certificates of deposit (CDs) like available-for-sale debt securities that do not qualify as securitization exposures, report in column A the fair value of such CDs and include in column B the difference between the fair value and amortized cost of these CDs. When fair value exceeds amortized cost, report the difference as a positive number in column B. When amortized cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in column B. Risk weight the amortized cost of these CDs in columns C through J, as appropriate.

- 2** **Securities (excluding securitization exposures).** Do not include securities that qualify as securitization exposures in items 2(a) and 2(b) below; instead, report these securities in Part II, items 9(a) and 9(b). In general, under the regulatory capital rules, securitizations are exposures that are “tranching” for credit risk. Refer to the definitions of *securitization*, *traditional securitization*, *synthetic securitization* and *tranche* in §.2 of the regulatory capital rules.

Non-U.S. GAAP filers:

Replicated assets should be bifurcated into their component parts and classified according to the FR Y-9C instructions and U.S. GAAP. Please note any details that help evaluate the information reported for purposes of this item in the Supplemental Response Document.

- 2(a)** **Held-to-maturity securities.** Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule HC, item 2(a), excluding those securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

2014 Insurance QIS

QIS Instructions (modified for display purposes)

The amount of those HTM securities reported in Schedule HC, item 2(a), that qualify as securitization exposures are to be reported in Part II, item 9(a), column A. The sum of Part II, items 2(a) and 9(a), column A, must equal Schedule HC, item 2(a).

Non-U.S. GAAP filers:

Determine whether securities meet the strict requirements for designating investment securities as HTM. This determination requires an analysis of the institution's investment strategy and intent to hold the security.

Exposure amount to be used for purposes of risk weighting – holding company cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule HC-R, Part I, item 3(a):

For a security classified as held-to-maturity where the holding company cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the holding company is the carrying value of the security, which is the value of the asset reported on the balance sheet of the holding company determined in accordance with GAAP and in column A.

Exposure amount to be used for purposes of risk weighting – holding company has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a):

For a security classified as held-to-maturity where the holding company has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the holding company is the carrying value of the security reported on the balance sheet of the holding company and in column A, less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI. For such a held-to-maturity security, report in column B any difference between the carrying value of the security reported in column A of this item and its exposure amount.

- *In column C–0% risk weight.* The zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for the zero percent risk weight. Include the exposure amounts of securities reported in Schedule HC-B, column A, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such securities may include portions of, but may not be limited to:
 - o Item 1, "U.S. Treasury securities,"
 - o Item 2(a), Securities "Issued by U.S. Government agencies,"
 - o Item 4(a)(1), Residential mortgage pass-through securities "Guaranteed by GNMA,"
 - o Item 4(b)(1), those other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies, such as GNMA exposures,

2014 Insurance QIS

QIS Instructions (modified for display purposes)

- o Item 4(c)(1)(a), those commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent GNMA securities, and
 - o Item 4(c)(2)(a), those commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent GNMA securities.
- *In column G—20% risk weight.* The 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by the U.S. government, as well as exposures to U.S. government-sponsored enterprises. Certain foreign government and foreign bank exposures may qualify as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of securities reported in Schedule HC-B, Column A, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such securities may include portions of, but may not be limited to:
 - o Item 2(b), Securities “Issued by U.S. Government-sponsored agencies” (exclude interest-only securities),
 - o Item 3, “Securities issued by states and political subdivisions in the U.S.” that represent general obligation securities,
 - o Item 4(a)(2), Residential mortgage pass-through securities “Issued by FNMA and FHLMC,”
 - o Item 4(b)(1), Other residential mortgage-backed securities “Issued or guaranteed by U.S. Government agencies or sponsored agencies” (exclude interest-only securities),
 - o Item 4(b)(2), Other residential mortgage-backed securities “Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies” (exclude interest-only securities)
 - o Item 4(c)(1)(a), those commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent FHLMC and FNMA securities (exclude interest-only securities),
 - o Item 4(c)(2)(a), those commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent FHLMC and FNMA securities (exclude interest-only securities), and
 - o Any securities categorized as “structured financial products” on Schedule HC-B that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Part II, and item 9(a) for purposes of calculating risk weighted assets.
- *In column H—50% risk weight,* include the exposure amounts of securities reported in Schedule HC-B, column A, that do not qualify as securitization exposures that qualify for the 50 percent risk weight.³⁰ Such securities may include portions of, but may not be limited to:

³⁰ Respondents should refer to the FR Y-9C instructions for purposes of calculating the relevant line items (http://www.federalreserve.gov/reportforms/forms/FR_Y-9C20140630_i.pdf).

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- o Item 3, “Securities issued by states and political subdivisions in the U.S.,” that represent revenue obligation securities,
 - o Item 4(a)(3), “Other residential mortgage pass-through securities,” that represent residential mortgage exposures that qualify for 50 percent risk weight. (Pass-through securities that do not qualify for 50 percent risk weight should be assigned to the 100 percent risk weight category.)
 - o Item 4(b)(2), Other residential mortgage-backed securities “Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies” (exclude portions subject to FDIC loss-sharing agreement and interest-only securities) that represent residential mortgage exposures that qualify for 50 percent risk weight, and
 - o Item 4(b)(3), “All other residential MBS.” Include only those MBS that qualify for 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: do not include MBS portions that are tranching for credit risk; those must be reported as securitization exposures in Part II, item 9(a). Exclude interest-only securities.
- *In column I–100% risk weight*, include the exposure amounts of securities reported in Schedule HC-B, column A, that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such securities may include portions of, but may not be limited to:
 - o Item 4(a)(3), "Other residential mortgage pass-through securities," that represent residential mortgage exposures that qualify for 100 percent risk weight,
 - o Item 4(b)(2), Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excludes portions subject to an FDIC loss-sharing agreement), that represent residential mortgage exposures that qualify for 100 percent risk weight,
 - o Item 4(b)(3), "All other residential MBS." Include only those MBS that qualify for 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: do not include MBS that are tranching for credit risk; those should be reported as securitization exposures in Part II, item 9(a),
 - o Item 4(c)(1)(b), “Other commercial mortgage pass-through securities,”
 - o Item 4(c)(2)(b), “All other commercial MBS,”
 - o Item 5(a), "Asset-backed securities," and
 - o Any securities reported as “structured financial products” on Schedule HC-B, item 5(b), that are not securitization exposures and qualify for the 100 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Part II, item 9(a).
 - o Also include all other HTM securities that do not qualify as securitization exposures reported in Schedule HC, item 2(a), that are not included in columns C through H and J through Q.

Held-to-maturity securities that must be risk-weighted according to the Country Risk Classification (CRC) methodology:

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include the exposure amounts of those securities reported in Schedule HC-B, column A, that are directly and unconditionally guaranteed by foreign central governments or are exposures to foreign depository institutions that do not qualify as securitization exposures. Such securities may include portions of, but may not be limited to:*
 - o Item 4(a)(3), “Other residential mortgage pass-through securities,”
 - o Item 4(b)(3), “All other residential MBS,”
 - o Item 4(c)(1)(b), “Other commercial mortgage pass-through securities,”
 - o Item 4(c)(2)(b), “All other commercial MBS,”
 - o Item 5(a), “Asset-backed securities,”
 - o Any securities reported as “structured financial products” in Schedule HC-B, item 5(b), that are not securitization exposures. Note: Many of the structured financial products would be considered securitization exposures and reported in Part II, item 9(a), and
 - o Item 6(b), “Other foreign debt securities.”

2(b) **Available-for-sale securities.** Report in column A the fair value of available-for-sale (AFS) securities reported in Schedule HC, item 2(b), excluding those AFS securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The fair value of those AFS securities reported in Schedule HC, item 2(b), that qualify as securitization exposures must be reported in Part II, item 9(b), column A. The sum of Part II, items 2(b) and 9(b), column A, must equal Schedule HC, item 2(b).

Non-U.S. GAAP filers:

Perform an analysis to classify investment securities that meet the U.S. GAAP definitions of HTM and Trading. Any security that does not meet either of these definitions should be classified as AFS. AFS securities are measured at fair value. Fair value estimates for all investment securities should be available for non-U.S. GAAP filers. Disclose in the Supplemental Response Document any securities for which another method of measurement was employed (e.g., if a fair value estimate was not available or impractical to estimate).

Exposure amounts to be used for purposes of risk weighting by a holding company that cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule HC-R, Part I, item 3(a): For a security classified as available-for-sale where the holding company cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk-weighted by holding company is:

- **For debt securities:** the carrying value, which is the value of the asset reported on the balance sheet of the holding company determined in accordance with GAAP (i.e., the fair value of the available-for-sale debt security) and in column A.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- **For equity securities and preferred stock classified as an equity under GAAP:** the adjusted carrying value.³¹

Exposure amounts to be used for purposes of risk weighting by a holding company that has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a):

For a security classified as available-for-sale where the holding company has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the holding company is:

- **For debt securities:** the carrying value, less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI.
- **For equity securities and preferred stock classified as an equity under GAAP:** the carrying value less any net unrealized gains that are reflected in such carrying value but are excluded from the holding company's regulatory capital components.
- *In column B*, a holding company that has made the AOCI opt-out election should include the difference between the fair value and amortized cost of those AFS debt securities that do not qualify as securitization exposures. This difference equals the amounts reported in Schedule HC-B, items 1 through 6, column D, minus items 1 through 6, column C, for those AFS debt securities included in these items that are not securitization exposures.
 - When fair value exceeds cost, report the difference as a positive number in Part II, item 2(b), column B.
 - When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Part II, item 2(b), column B.
 - If AFS equity securities with readily determinable fair values have a net unrealized gain (i.e., Schedule HC-B, item 7, column D, exceeds item 7, column C), the portion of the net unrealized gain (55 percent or more) not included in Tier 2 capital should be included in Part II, item 2(b), column B. The portion that is not included in Tier 2 capital equals Schedule HC-B, item 7, column D minus column C, minus Schedule HC-R, item 31.
- *In column C—0% risk weight*, the zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for zero percent risk weight. Include the exposure amounts of securities reported in Schedule HC-B, column C, that do not

³¹ Adjusted carrying value applies only to equity exposures and is defined in §.51 of the regulatory capital rules. In general, it includes an on-balance sheet amount as well as application of conversion factors to determine on-balance sheet equivalents of any off-balance sheet commitments to acquire equity exposures. For holding companies that cannot or have not made the AOCI opt-out election, the on-balance sheet component is equal to the carrying value. For holding companies that have made the AOCI opt-out election, the on-balance sheet component is the carrying value less any net unrealized gains that are reflected in the carrying value but excluded from regulatory capital. Refer to §.51 for the precise definition.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

qualify as securitization exposures that qualify for the zero percent risk weight. Such securities may include portions of, but may not be limited to:

- o Item 1, "U.S. Treasury securities,"
 - o Item 2(a), Securities "Issued by U.S. Government agencies,"
 - o Item 4(a)(1), Residential mortgage pass-through securities "Guaranteed by GNMA,"
 - o Portions of item 4(b)(1), Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies," such as GNMA exposures,
 - o Item 4(c)(1)(a), certain portions of commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent GNMA securities, and
 - o Item 4(c)(2)(a), certain portions of commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent GNMA securities.
- *In column G—20% risk weight*, the 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by the U.S. government, as well as exposures to U.S. government sponsored enterprises. Certain foreign government and foreign bank exposures may qualify for the 20 percent risk weight as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of those securities reported in Schedule HC-B, Column C, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such securities may include portions of, but may not be limited to:
 - o Item 2(b), Securities "Issued by U.S. Government-sponsored agencies" (exclude interest-only securities),
 - o Item 3, "Securities issued by states and political subdivisions in the U.S." that represent general obligation securities,
 - o Item 4(a)(2), Residential mortgage pass-through securities "Issued by FNMA and FHLMC" (exclude interest-only securities),
 - o Item 4(b)(1), Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude interest-only securities),
 - o Item 4(b)(2), Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude interest-only securities),
 - o Item 4(c)(1)(a), those commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent FHLMC and FNMA securities (exclude interest-only securities),
 - o Item 4(c)(2)(a), those commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent FHLMC and FNMA securities (exclude interest-only securities), and
 - o Any securities categorized as "structured financial products" on Schedule HC-B that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered

2014 Insurance QIS
QIS Instructions (modified for display purposes)

securitization exposures and must be reported in Part II, item 9(b) for purposes of calculating risk-weighted assets. Exclude interest-only securities.

- *In column H–50% risk weight*, include the exposure amounts of those securities reported in Schedule HC-B, column C, that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such securities may include portions of, but may not be limited to:
 - Item 3, "Securities issued by states and political subdivisions in the U.S.," that represent revenue obligation securities,
 - Item 4(a)(3), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for 50 percent risk weight. (Pass-through securities that do not qualify for 50 percent risk weight should be assigned to the 100 percent risk weight category.)
 - Item 4(b)(2), Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude portions subject to a FDIC loss-sharing agreement and interest-only securities) that represent residential mortgage exposures that qualify for 50 percent risk weight, and
 - Item 4(b)(3), "All other residential MBS." Include only those MBS that qualify for 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: do not include MBS that are tranching for credit risk; those should be reported as securitization exposures in Part II, item 9(b). Do not include interest-only securities.
- *In column I–100% risk weight*, include the exposure amounts of securities reported in Schedule HC-B, column C, that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such securities may include portions of, but may not be limited to:
 - Item 4(a)(3), "Other residential mortgage pass-through securities," that represent residential mortgage exposures that qualify for 100 percent risk weight,
 - Item 4(b)(2), Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude portions subject to an FDIC loss-sharing agreement) that represent residential mortgage exposures that qualify for 100 percent risk weight,
 - Item 4(b)(3), "All other residential MBS" Include only MBS that qualify for 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: do not include MBS portions that are tranching for credit risk; those should be reported as securitization exposures in Part II, item 9(b).
 - Item 4(c)(1)(b), "Other commercial mortgage pass-through securities,"
 - Item 4(c)(2)(b), "All other commercial MBS,"
 - Item 5(a), "Asset-backed securities,"
 - Any securities reported as "structured financial products" in Schedule HC-B, item 5(b), that are not securitization exposures and qualify for the 100 percent

2014 Insurance QIS
QIS Instructions (modified for display purposes)

risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Part II, item 9(b).

- Also include all other AFS securities that do not qualify as securitization exposures reported in Schedule HC, item 2(b), that are not included in columns C through H and J through Q.
- *In column K–250% risk weight*, include the portion that does not qualify as a securitization exposure of Schedule HC, item 2(b), that represents the adjusted carrying value of exposures that are significant investments in the common stock of unconsolidated financial institutions that are not deducted from capital. For further information on the treatment of equity exposures, refer to §.51 to §.53 of regulatory capital rules. This risk weight takes effect in 2018, and therefore this item is blocked from being completed until that time. Before 2018, report such significant investments in the 100 percent risk weight category.
- *In column L–300% risk weight*, for publicly traded AFS equity securities with readily determinable fair values reported in Schedule HC-B, item 7, include the fair value of these equity securities (as reported in Schedule HC-B, item 7, column D) if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their adjusted carrying value (as reported in Schedule HC-B, item 7, column C). NOTE: Certain investments in mutual funds reported in Schedule HC-B, item 7, may be risk-weighted using the simple risk-weight and look-through approaches as described in §.51 to 53 of the regulatory capital rules.
- *In column N–600% risk weight*, for AFS equity securities to investment firms with readily determinable fair values reported in Schedule HC-B, item 7, include the fair value of these equity securities (as reported in Schedule HC-B, item 7, column D) if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their adjusted carrying value (as reported in Schedule HC-B, item 7, column C) plus the portion of the unrealized gain (up to 45 percent) included in tier 2 capital (as reported in Schedule HC-R, Part I, item 31).

Available-for-sale securities that must be risk-weighted according to the Country Risk Classification (CRC) methodology:

- *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight*. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include the exposure amounts of those securities reported in Schedule HC-B, Column C, that are directly and unconditionally guaranteed by foreign central governments or are exposures on foreign depository institutions that do not qualify as securitization exposures. Such securities may include portions of, but may not be limited to:
 - Item 4(a)(3), “Other residential mortgage pass-through securities,”
 - Item 4(b)(3), “All other residential MBS,”
 - Item 4(c)(1)(b), “Other commercial mortgage pass-through securities,”

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- o Item 4(c)(2)(b), “All other commercial MBS,”
- o Item 5(a), “Asset-backed securities,”
- o Any securities reported as “structured financial products” in Schedule HC-B, item 5(b), that are not securitizations. Note: Many structured financial products would be considered securitization exposures and must be reported in Part II, item 9(b),
- o Item 6.b, “Other foreign debt securities,” and
- o Item 7, “Investments in mutual funds and other equity securities with readily determinable fair values.”

3 **Federal funds sold and securities purchased under agreements to resell.** Report in column A the amount of federal funds sold and securities purchased under agreements to resell (securities resale agreements) reported in Schedule HC, sum of items 3(a) and 3(b), excluding those federal funds sold and securities resale agreements that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those federal funds sold and securities resale agreements reported in Schedule HC, items 3(a) and 3(b), that qualify as securitization exposures are to be reported in Part II, item 9(d), column A.

- *In column C – 0% risk weight*, include the portion of Schedule HC, item 3, that is directly and unconditionally guaranteed by U.S. Government agencies.
- *In column D–2% risk weight*, include the amount of centrally cleared securities resale agreements reported in Schedule HC, item 3, with Qualified Central Counterparties (QCCPs), as defined in §.2 of the regulatory capital rules, where the collateral posted by the holding company to the QCCP or clearing member is subject to an arrangement that prevents any losses to the clearing member client due to the joint default or a concurrent insolvency, liquidation, or receivership proceeding of the clearing member and any other clearing member clients of the clearing member; and the clearing member client holding company has conducted sufficient legal review to conclude with a well-founded basis (and maintains sufficient written documentation of that legal review) that in the event of a legal challenge (including one resulting from default or from liquidation, insolvency, or receivership proceeding) the relevant court and administrative authorities would find the arrangements to be legal, valid, binding and enforceable under the law of the relevant jurisdictions.
- *In column E–4% risk weight*, include the amount of centrally cleared securities resale agreements reported in Schedule HC, item 3, with QCCPs in all other cases that do not meet the criteria of qualification for a 2% risk weight.
- *In column G – 20% risk weight*, include exposures to U.S. depository institution counterparties.
- *In column I – 100% risk weight*, include exposures to non-depository institution counterparties that lack qualifying collateral (refer to the regulatory capital rules

2014 Insurance QIS

QIS Instructions (modified for display purposes)

for specific criteria). Also include the amount of federal funds sold and securities resale agreements reported in Schedule HC, item 3, that are not included in columns C through Q.

- Federal funds sold and securities purchased under agreements to resell that must be risk-weighted according to the Country Risk Classification (CRC) methodology
 - In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:
 - The portion of Schedule HC, item 3, that is directly and unconditionally guaranteed by foreign central governments and exposures to foreign depository institutions.

- 4** **Loans and leases held for sale.** Report in column A of the appropriate sub-item the carrying value of loans and leases held for sale (HFS) reported in Schedule HC, item 4(a), excluding those HFS loans and leases that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The carrying value of those HFS loans and leases reported in Schedule HC, item 4(a), that qualify as securitization exposures must be reported in Part II, item 9(d), column A.

- 4(a)** **Residential mortgage exposures.** Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule HC, item 4(a), that are residential mortgage exposures.³² Also include the carrying value of HFS loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Exclude HFS loans secured by multifamily residential properties included in Schedule HC-C, item 1(d), that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*. Such loans should be reported in Part II, item 4(d).

- *In column G—20% risk weight*, include the carrying value of the guaranteed portion of HFS FHA and VA mortgage loans included in Schedule HC-C, item 1(c)(2)(a).
- *In column H—50% risk weight*, include the carrying value of HFS loans secured by 1-4 family residential properties and by multifamily residential properties included in Schedule HC-C, item 1(c)(1) (only include qualifying first mortgage loans), qualifying loans from items 1(c)(2)(a) and 1(d), or those that meet the

³² Residential mortgage exposure means an exposure (other than a securitization exposure, equity exposure, statutory multifamily mortgage, or presold construction loan) that is:

- (1) An exposure that is primarily secured by a first or subsequent lien on one-to-four family residential property; or
- (2) (i) An exposure with an original and outstanding amount of \$1 million or less that is primarily secured by a first or subsequent lien on residential property that is not one-to-four family; and
- (ii) For purposes of calculating capital requirements under Subpart E of this part, is managed as part of a segment of exposures with homogeneous risk characteristics and not on an individual exposure basis.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

definition of a residential mortgage exposure and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For 1-4 family residential mortgages, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family or multifamily residential properties, not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury's Home Affordable Mortgage Program (HAMP)). Also include loans that meet the definition of statutory multifamily mortgage in §.2 of the regulatory capital rules.

- *In column I—100% risk weight*, include the carrying value of HFS loans that are residential mortgage exposures reported in Schedule HC, item 4(a), that are not included in columns G or H.

4(b) High volatility commercial real estate exposures. Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule HC, item 4(a), that are high volatility commercial real estate (HVCRE) exposures,³³ including HVCRE exposures that are 90 days or more past due or in nonaccrual status:

In column J—150% risk weight, include the portion of the carrying value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules, included in Schedule HC, item 4(a).

4(c) Exposures past due 90 days or more or on nonaccrual. Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule HC, item

³³ High volatility commercial real estate (HVCRE) exposure means a credit facility that, prior to conversion to permanent financing, finances or has financed the acquisition, development, or construction (ADC) of real property, unless the facility finances:

(1) One- to four-family residential properties;

(2) Real property that:

(i.) would qualify as an investment in community development under 12 U.S.C. 338a or 12 U.S.C. 24 (Eleventh), as applicable, or as a "qualified investment" under [12 CFR part 228], and

(ii.) is not an ADC loan to any entity described in [12 CFR 208.22(a)(3) or 228.12(g)(3)], unless it is otherwise described in paragraph (1), (2)(i), (3) or (4) of this definition;

(3) The purchase or development of agricultural land, which includes all land known to be used or usable for agricultural purposes (such as crop and livestock production), provided that the valuation of the agricultural land is based on its value for agricultural purposes and the valuation does not take into consideration any potential use of the land for non-agricultural commercial development or residential development; or

(4) Commercial real estate projects in which:

(i.) the loan-to-value ratio is less than or equal to the applicable maximum supervisory loan-to-value ratio in the real estate lending standards at [12 CFR part 208, appendix C];

(ii.) The borrower has contributed capital to the project in the form of cash or unencumbered readily marketable asset (or has paid development expenses out-of-pocket) of at least 15 percent of the real estate's appraised "as completed" value; and

(iii.) The borrower contributed the amount of capital required by paragraph (4)(ii) of this definition before the bank advances funds under the credit facility, and the capital contributed by the borrower, or internally generated by the project, is contractually required to remain in the project throughout the life of the project. The life of a project concludes only when the credit facility is converted to permanent financing or is sold or paid in full. Permanent financing may be provided by the bank that provided the ADC facility as long as the permanent financing is subject to the bank's underwriting criteria for long-term mortgage loans.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

4(a), that are 90 days or more past due or in nonaccrual status according to the requirements set forth in §.32(k) of the regulatory capital rules. Do not include HFS exposures to sovereigns or HFS residential mortgage exposures, as described in §.32(a) and §.32(g), respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Part II, item 4(d) and item 4(a), respectively). Also do not include HFS high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Part II, item 4(b)).

- *In column J–150% risk weight*, include the carrying value of exposures included in Schedule HC, item 4(a), that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
- Loans and leases held for sale that are past due 90 days or more or in nonaccrual status that must be risk weighted according to the Country Risk Classification (CRC) methodology
 - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:*
 - The carrying value of exposures included in Schedule HC, item 4(a), that are 90 days or more past due or in nonaccrual status, excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

4(d) All other exposures. Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule HC, item 4(a), that are not reported in Part II, items 4(a) through 4(c) above:

- *In column C–0% risk weight*, include the carrying value of the unconditionally guaranteed portion of HFS SBA “Guaranteed Interest Certificates” purchased in the secondary market that are included in Schedule HC-C.
- *In column G–20% risk weight*, include the carrying value of HFS loans to and acceptances of other U.S. depository institutions that are reported in Schedule HC-C, Part I, item 2, plus the carrying value of the guaranteed portion of HFS SBA loans originated and held by the reporting holding company included in Schedule HC-C, and the carrying value of the portion of HFS student loans reinsured by the U.S. Department of Education included in Schedule HC-C, item 6(d), “Other consumer loans.”
- *In column H–50% risk weight*, include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- *In column I—100% risk weight*, include the carrying value of HFS loans and leases reported in Schedule HC, item 4(a), that are not included in columns C, G, and H. Also include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight.
- All other loans and leases held for sale that must be risk weighted according to the Country Risk Classification (CRC) methodology
 - *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.*
 - The carrying value of other loans and leases held for sale reported in Schedule HC, item 4(a), that are not reported in Part II, items 4(a) through 4(c) above.

5 **Loans and leases, net of unearned income.** Report in column A of the appropriate sub-item the carrying value of loans and leases, net of unearned income, reported in Schedule HC, item 4(b), excluding those loans and leases, net of unearned income, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The carrying value of those loans and leases, net of unearned income, that qualify as securitization exposures must be reported in Part II, item 9(d), column A.

5(a) **Residential mortgage exposures.** Report in column A the carrying value of loans and leases, net of unearned income, reported in Schedule HC, item 4(b), that are residential mortgage exposures.³⁴ Also include the carrying value of loans, net of unearned income, that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Exclude loans secured by multifamily residential properties included in Schedule HC-C, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*. Such loans should be reported in Part II, item 5.d.

- *In column G—20% risk weight*, include the carrying value of the guaranteed portion of FHA and VA mortgage loans included in Schedule HC-C, item 1(c)(2)(a).
- *In column H—50% risk weight*, include the carrying value of loans secured by 1-4 family residential properties and by multifamily residential properties included in Schedule HC-C, item 1(c)(1) (only include qualifying first mortgage loans), qualifying loans from items 1(c)(2)(a) and 1(d), or those that meet the definition of a residential mortgage exposure and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For 1-4 family residential mortgages, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family or multifamily residential properties, not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or

³⁴ See instructions for Part II, item 4(a), for the definition of *residential mortgage exposure*.

2014 Insurance QIS

QIS Instructions (modified for display purposes)

restructured solely pursuant to the U.S. Treasury's Home Affordable Mortgage Program (HAMP)). Also include loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules.

- *In column I–100% risk weight*, include the carrying value of loans related to residential mortgage exposures reported in Schedule HC, item 4(b), that are not included in columns G or H.

5(b) High volatility commercial real estate exposures. Report in Column A the portion of the carrying value of loans and leases, net of unearned income, reported in Schedule HC, item 4(b), that are high volatility commercial real estate exposures (HVCRE),³⁵ including HVCRE exposures that are 90 days or more past due or in nonaccrual status:

- *In column J–150% risk weight*, include the portion of the carrying value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules, included in Schedule HC, item 4(b).

5(c) Exposures past due 90 days or more or on nonaccrual. Report in column A the carrying value of loans and leases, net of unearned income, reported in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status according to the requirements set forth in in §.32(k) of the regulatory capital rules. Do not include exposures to sovereigns or residential mortgage exposures, as described in §.32(a) and §.32(g) respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Part II, items 5(d) and 5(a), respectively). Also do not include high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Part II, item 5(b)).

- *In column J–150% risk weight*, include the carrying value of exposures included in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
- Loans and leases, net of unearned income, that are past due 90 days or more or in nonaccrual status that must be risk weighted according to the Country Risk Classification (CRC) methodology
 - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include only those loans that are exposures to foreign banks (excluding foreign central banks):*
 - The carrying value of exposures included in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status, excluding those portions that

³⁵ See instructions for Part II, item 4(b), above for the definition of HVCRE exposures.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

5(d) All other exposures. Report in column A the carrying value of loans and leases, net of unearned income, reported in Schedule HC, item 4(b), that are not reported in items 5(a) through 5(c):

- *In column C–0% risk weight*, include the carrying value of the unconditionally guaranteed portion of SBA “Guaranteed Interest Certificates” purchased in the secondary market that are included in Schedule HC-C.
- *In column G–20% risk weight*, include the carrying value of loans to and acceptances of other U.S. depository institutions that are reported in Schedule HC-C, item 2(excluding the carrying value of any long-term exposures to non-OECD banks), plus the carrying value of the guaranteed portion of SBA loans originated and held by the reporting holding company included in Schedule HC-C, and the carrying value of the portion of student loans reinsured by the U.S. Department of Education included in Schedule HC-C, item 6(d), "Other consumer loans."
- *In column H–50% risk weight*, include the carrying value of loans and leases that meet the definition of presold construction loan in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight.
- *In column I–100% risk weight*, include the carrying value of loans and leases reported in Schedule HC, item 4(b), that is not included in columns C, G and H (excluding loans that are assigned a higher than 100 percent risk weight, such as HVCRE loans and past due loans). Also include the carrying value of loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight.
- All other loans and leases, net of unearned income, that must be risk weighted according to the Country Risk Classification (CRC) methodology
 - In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.
 - The carrying value of other loans and leases, net of unearned income, reported in Schedule HC, item 4(b), that are not reported in Part II, items 5(a) through 5(c) above.

6 LESS: Allowance for loan and lease losses. Report in columns A and B the balance of the allowance for loan and lease losses reported in Schedule HC, item 4(c).

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Non-U.S. GAAP filers:

- Follow the outstanding guidance for determining the ALLL as prescribed in both ASC 310-40 and ASC 450.
- Limitations with historical loss data needed for determining the portion of the ALLL related to loss contingencies may make an estimate meeting the requirements of ASC 450 difficult. In the case where historical data is insufficient, the respondent should determine loss factors to be applied to each identified loan portfolio and provide the rationale in the comments section. Additionally, respondents should articulate challenges or limitations to obtaining the necessary loss data going forward to meet the requirements of ASC 450 in the Supplemental Response Document.
- When describing either the lack of data and/or the challenges with obtaining the data on a go forward basis, respondents should provide the relative size, composition, and quality of the portfolio in the Supplemental Response Document.

- 7** **Trading assets (excluding securitization exposures that receive standardized charges).** Report in column A the fair value of trading assets reported in Schedule HC, item 5, excluding those trading assets that are securitization exposures, as defined in §.2 of the regulatory capital rules.

Non-U.S. GAAP filers:

Perform an analysis of the institution's investment strategy and intent to determine whether securities meet the U.S. GAAP requirements for designating investment securities as Trading. Trading securities are measured at fair value. Fair value estimates for all investment securities should be available for non-U.S. GAAP filers. Disclose in the Supplemental Response Document any securities for which another method of measurement was employed (e.g., if a fair value estimate was not available or impractical to estimate).

The fair value of those trading assets reported in Schedule HC, item 5 that qualify as securitization exposures must be reported in Part II, item 9.c, column A. The sum of Part II, items 7 and 9.c, column A, must equal Schedule HC, item 5.

If the holding company is subject to the market risk capital rules, include in Column B the fair value of all trading assets that are covered positions as defined in Part II, item 26. The holding company will report its standardized measurement of market risk equivalent assets in Part II, item 26.

For all trading assets reported in column A that do not meet the definition of a covered position and for holding companies not subject to the market risk capital rules:

- *In column B*, if the holding company completes Schedule HC-D, include the fair value of derivative contracts that are reported as assets in Schedule HC-D, item 11 (column A). If the holding company does not complete Schedule HC-D, include

2014 Insurance QIS
QIS Instructions (modified for display purposes)

the portion of the amount reported in Schedule HC, item 5, that represents the fair value of derivative contracts that are assets. Exclude from column B those derivative contracts reported in these items that qualify as securitization exposures.

- *In column C—0% risk weight*, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such trading assets may include portions of, but may not be limited to:
 - Item 1, "U.S. Treasury securities," (column A),
 - The portion of the amount reported in item 2, (column A) that represents the fair value of securities issued by U.S. Government agencies (excluding mortgage-backed securities), and
 - The portion of the amounts reported in item 4, (column A) that represents the fair value of mortgage-backed securities guaranteed by GNMA.
 - If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding types of securities. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Part II, item 9(c).
- *In column G—20% risk weight*, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such trading assets may include portions of, but may not be limited to:
 - Item 2, (column A) that represents the fair value of securities issued by U.S. Government-sponsored agencies (excluding mortgage-backed securities),
 - The portion of the amount reported in item 3, (column A) that represents the fair value of general obligations issued by states and political subdivisions in the U.S.,
 - The portion of the amount reported in item 4, (column A) that represents the fair value of mortgage-backed securities issued by FNMA and FHLMC,
 - The fair value of those asset-backed securities, structured financial products, and other debt securities reported in item 5, "Other debt securities," (column A) that represent exposures to U.S. depository institutions,
 - The portion of the amount reported in item 6(d), "Other loans," (column A) that represents loans to and acceptances of U.S. depository institutions, and
 - The portion of the amount reported in item 9, "Other trading assets," (column A) that represents the fair value of certificates of deposit.
 - If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Part II, item 9.c.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- *In column H–50% risk weight*, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D that do not qualify as securitization exposures reported in HC-D that qualify for the 50 percent risk weight. Such trading assets may include portions of, but may not be limited to:
 - Item 3, (column A) that represents the fair value of revenue obligations issued by states and political subdivisions in the U.S., and
 - The fair value of those mortgage-backed securities reported in item 4, “Mortgage-backed securities,” (column A).
 - If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Part II, item 9(c).
- *In column I–100% risk weight*, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such trading assets may include portions of, but may not be limited to:
 - The fair value of those mortgage-backed securities reported in item 4, “Mortgage-backed securities,” (column A), and
 - Item 5, “Other debt securities,” (column A) that represent exposures to corporate entities and special purpose vehicles (SPVs).
 - If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Part II, item 9.c.
 - Also include the fair value of trading assets reported in Schedule HC, item 5, that is not included in columns C, J, and H. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Part II, item 9.c.
- Trading assets that must be risk-weighted according to the Country Risk Classification (CRC) methodology
 - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include the portions of those exposures reported in Schedule HC-D that are directly and unconditionally guaranteed by foreign central governments or are exposures on foreign depository institutions that do not qualify as securitization exposures. Such exposures may include portions of, but may not be limited to:
 - The fair value of those mortgage-backed securities reported in Schedule HC-D, item 4, “Mortgage-backed securities,” (column A), and

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- o Other debt securities reported in Schedule HC-D item 5, “Other debt securities,” (column A), issued by foreign depository institutions and foreign sovereign units.
- o If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Part II, item 9.c.

8 **All other assets.** Report in column A the sum of the amounts reported in Schedule HC, item 6, “Premises and fixed assets;” item 7, “Other real estate owned;” item 8, “Investments in unconsolidated subsidiaries and associated companies;” item 9, “Direct and indirect investments in real estate ventures;” item 10(a), “Goodwill;” item 10(b), “Other intangible assets;” and item 11, “Other assets,” excluding those assets reported in Schedule HC, items 6 through 11, that qualify as securitization exposures. The amount of those assets reported in Schedule HC, items 6 through 11, that qualify as securitization exposure must be reported in Part II, item 9(d), column A.

All respondents:

- **Non-guaranteed separate account assets:** A zero percent risk weight applies to all non-guaranteed separate account assets, as defined under the Basel III approach (see Part II, General Instructions: Separate Account Data above).
- **Policy loans:** A 20 percent risk weight applies to all policy loans. A policy loan is defined as a loan to policyholders under the provisions of an insurance contract that is secured by the cash surrender value or collateral assignment of the related policy or contract.
- **Other assets:** A 100 percent risk weight applies to all assets not specifically assigned a different risk weight (other than exposures that would be deducted from tier 1 or tier 2 capital) including deferred acquisition costs (DAC), value of business acquired (VOBA), as well as reinsurance recoverables, and other insurance related assets.

Non-U.S. GAAP filers:

- Respondents should develop a U.S. GAAP based estimate for material items and disclose the method employed in the Supplemental Response Document
- U.S. GAAP requires gross reporting for reinsurance assets and insurance related liabilities. Non-U.S. GAAP filers should include any reinsurance recoverable assets, net of any allowance.

Treatment of Default Fund Contributions

Also include the amount of default fund contributions made by the holding company to central counterparties (CCP) and collateral provided by the holding company to CCPs that are not bankruptcy remote as described in §.35 of the regulatory capital rules,

2014 Insurance QIS
QIS Instructions (modified for display purposes)

excluding securities provided as collateral. However, if the collateral is securities, report the securities amounts in Part II, items 2(a), 2(b), or 7, as appropriate.

Treatment of Defined Benefit Postretirement Assets - Applicable Only to Banks That Have Made the Accumulated Other Comprehensive Income (AOCI) Opt-Out Election in Schedule HC-R, Part I, item 3(a)

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” (FAS 158)), the institution should adjust the asset amount reported in column A of this item for any amounts included in Schedule HC, item 26(b), “Accumulated other comprehensive income”, affecting assets as a result of the initial and subsequent application of the funded status and measurement date provisions of ASC Subtopic 715-20. The adjustment also should take into account subsequent amortization of these amounts from AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule HC-R, Part I, item 9(d)) is to reverse the effects on AOCI of applying ASC Subtopic 715-20 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Subtopic 715-20 should be reported as an adjustment to assets in column B of this item. For example, the derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Subtopic 715-20 should be reported in this item as a negative amount in column B and as a positive amount in column I. As another example, the portion of a benefit plan surplus asset that is included in Schedule HC, item 26(b), as an increase to AOCI and in column A of this item should be excluded from risk-weighted assets by reporting the amount as a positive number in column B of this item.

- *In column B*, include the amount of:
 - Any goodwill net of associated deferred tax liabilities (DTLs) reported in Schedule HC-R, Part I, item 6;
 - Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs reported in Schedule HC-R, Part I, item 7;
 - DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs reported in Schedule HC-R, Part I, item 8;
 - The fair value of derivative contracts that are reported as assets in Schedule HC, item 11;
 - Items subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule HC-R, Part I, items 13 through 16. These excess amounts pertain to three items:
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
 - Mortgage servicing assets; and

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.
 - The holding company's investments in unconsolidated banking and finance subsidiaries that are reported in Schedule HC, item 8, and have been deducted for risk-based capital purposes in Schedule HC-R, Part I, item 33.
- *In column C—0% risk weight, include:*
 - The carrying value of Federal Reserve Bank stock included in Schedule HC-F, item 4;
 - Accrued interest receivable on assets included in the zero percent risk weight category (column C of Part II, items 1 through 7); and
 - The carrying value of gold bullion not held for trading that is held in the holding company's own vault or in another holding company's bank's vault on an allocated basis, and exposures that arise from the settlement of cash transactions (such as equities, fixed income, spot foreign exchange, and spot commodities) with a central counterparty where there is no assumption of ongoing credit risk by the central counterparty after settlement of the trade and associated default fund contributions.
- *In column G—20% risk weight, include:*
 - The carrying value of Federal Home Loan Bank stock included in Schedule HC-F, item 4;
 - Accrued interest receivable on assets included in the 20 percent risk weight category (column G of Part II, items 1 through 7); and
 - The portion of customers' acceptance liability reported in Schedule HC, item 11, that has been participated to other depository institutions.
- *In column H—50% risk weight, include accrued interest receivable on assets included in the 50 percent risk weight category (column H of Part II, items 1 through 7).*
- *In column I—100% risk weight, include:*
 - Accrued interest receivable on assets included in the 100 percent risk weight category (column I of Part II, items 1 through 7);
 - Delivery-versus-payment (DvP) and payment-versus-payment (PvP) transactions in which the counterparty has not made delivery or payment within 5 to 15 business days after the contractual settlement date as described in §.38 of the regulatory capital rules; and
 - The amount of all other assets reported in column A that is not included in columns B through Q.
- *In column J—150% risk weight, include accrued interest receivable on assets included in the 150 percent risk weight category (column J of Part II, items 1 through 7).*

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- *In column K–250% risk weight*, include the amounts of items that exceed the 10 percent and 15 percent common equity tier 1 capital deduction thresholds and are included in capital:
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
 - Mortgage servicing assets; and
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.
- *In column M–400% risk weight*, for equity securities (other than those issued by investment firms) that do not have readily determinable fair values reported in Schedule HC-F, item 4, include the historical cost of these equity securities (as reported in Schedule HC-F, item 4).
- *In column N–600% risk weight*, for equity securities issued by investment firms that do not have readily determinable fair values reported in Schedule HC-F, item 4, include the historical cost of these equity securities (as reported in Schedule HC-F, item 4).
- *In column O–625% risk weight*, include DvP and PvP transactions in which the counterparty has not made delivery or payment within 16 to 30 business days after the contractual settlement date as described in §.38 of the regulatory capital rules.
- *In column P–937.5% risk weight*, include DvP and PvP transactions in which the counterparty has not made delivery or payment within 31 to 45 business days after the contractual settlement date as described in §.38 of the regulatory capital rules.
- *In column Q–1250% risk weight*, include:
 - DvP and PvP transactions in which the counterparty has not made delivery or payment 46 or more business days after the contractual settlement date as described in §.38 of the regulatory capital rules;
 - The amount of default fund contributions to both qualified and non-qualified central counterparties according to the methodologies described in §.35(d) of the regulatory capital rules; and
 - Non-DvP/non-PvP transactions in which the holding company has not received deliverables from the counterparty five or business days after which the delivery was due.

Securitization Exposures

9. **On-balance sheet securitization exposures.** When determining the amount of risk-weighted assets for securitization exposures, holding companies that are not subject to the market risk capital rule may elect to use either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, as described above and in §.41 to 45 of the

2014 Insurance QIS

QIS Instructions (modified for display purposes)

regulatory capital rules. However, such holding companies must use the SSFA or Gross-Up Approach consistently across all securitization exposures (items 9(a) through 10). Holding companies may risk weight any individual securitization exposure at 1,250 percent in lieu of applying the SSFA or Gross-Up Approach to that individual exposure.

Holding companies that could be subject to the market risk capital rule must use the SSFA when determining the amount of risk-weighted assets for securitization exposures.

For further information, refer to the discussion of “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Part II.

All respondents:

- Please see Part II, General Instructions: Risk-weighted Assets, for the discussion of securitization approaches. Note that the definition of securitization exposure differs from NAIC SAP and U.S. GAAP and could include exposures that may be classified as loans under SAP or U.S. GAAP reporting. Respondents should evaluate securities and lending products using the definition of securitization provided in section .2 of the regulatory capital rules.
- Similar to the supplemental instructions on Securities (Part II, item 3), non-U.S. GAAP filers should perform an analysis to classify securitizations that meet the U.S. GAAP definitions of HTM and Trading. Any securitization that does not meet either of these definitions should be classified as AFS.
- Please provide additional details on your securitization exposures in the Supplemental Response Document.

9(a) Held-to-maturity securities. Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule HC, item 2(a), that are securitization exposures. Refer to the instructions for Part II, item 2(a) for the reporting locations of HTM securitization exposures.

Exposure amount to be used for purposes of risk weighting – holding company cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule HC-R, Part I, item 3(a):

For a security classified as held-to-maturity where the holding company cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the holding company is the carrying value of the security, which is the value of the asset reported on the balance sheet of the holding company determined in accordance with GAAP and in column A.

Exposure amount to be used for purposes of risk weighting – holding company has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a):

For a security classified as held-to-maturity where the holding company has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the holding company is the carrying value of the security reported on the balance sheet of the holding company and in column A,

2014 Insurance QIS
QIS Instructions (modified for display purposes)

less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI. In column B, report any difference between the carrying value and the exposure amount of those HTM securities reported in column A of this item that qualify as securitization exposures and will be risk weighted by applying the 1,250 percent risk weight.

- *In column B*, all holding companies should include the amount reported in column A of this item for those HTM securities reported in Schedule HC, item 2(a), that qualify as securitization exposures and will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach.
- *In column Q*, report the exposure amount of those HTM securitization exposures that are risk weighted by applying the 1250 percent risk weight (i.e., those HTM securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).
- *In column R*, report the risk-weighted asset amount (and not the exposure amount) of those HTM securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.
- *In column S*, report the risk-weighted asset amount (and not the exposure amount) of HTM securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

9(b) **Available-for-sale securities.** Report in column A the fair value of those available-for-sale (AFS) securities reported in Schedule HC, item 2(b), that are securitization exposures. Refer to the instructions for Part II, item 2(b), for a summary of the reporting locations of AFS securitization exposures.

Exposure amount to be used for purposes of risk weighting – holding company that cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule HC-R, Part I, item 3(a):

For a security classified as available-for-sale where the holding company cannot or has not made the AOCI opt-out election (i.e. most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the holding company is:

- **For debt securities:** the carrying value, which is the value of the asset reported on the balance sheet of the holding company determined in accordance with GAAP (i.e., the fair value of the available-for-sale debt security) and in column A.
- **For equity securities and preferred stock classified as an equity under GAAP:** the adjusted carrying value.

Exposure amount to be used for purposes of risk weighting – holding company has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a):

2014 Insurance QIS
QIS Instructions (modified for display purposes)

For a security classified as available-for-sale where the holding company has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the holding company is:

- **For debt securities:** the carrying value, less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI.
- **For equity securities and preferred stock classified as an equity under GAAP:** carrying value less any net unrealized gains that are reflected in such carrying value but are excluded from the holding company's regulatory capital components.
- *In column B*, a holding company that has made the AOCI opt-out election should include the difference between the fair value and amortized cost of those AFS debt securities that qualify as securitization exposures and will be risk weighted by applying the 1,250 percent risk weight. This difference equals the amounts reported in Schedule HC-B, items 4 and 5, column D, minus items 4 and 5, column C, for those AFS debt securities included in these items that are securitization exposures. When fair value exceeds cost, report the difference as a positive number in Part II, item 9(b), column B. When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Part II, item 9(b), column B.
- *In column B*, all holding companies should include the amount reported in column A of this item for those AFS securities reported in Schedule HC, item 2(b), that qualify as securitization exposures and will be risk-weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach.
- *In column Q*, report the exposure amount of those AFS securitization exposures that are risk-weighted by applying the 1250 percent risk weight (i.e., those AFS securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).
- *In column R*, report the risk-weighted asset amount (and not the exposure amount) of those AFS securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.
- *In column S*, report the risk-weighted asset amount (and not the exposure amount) of AFS securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

9(c) **Trading assets that receive standardized charges.** Report in column A the fair value of those trading assets reported in Schedule HC, item 5, that are securitization exposures. Refer to the instructions for Part II, item 7, for a summary of the reporting locations of trading assets that are securitization exposures.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

If the holding company is subject to the market risk capital rules, report in column B the fair value of those trading assets reported in column A of this item that are securitization exposures. The holding company will report its standardized market risk-weighted assets in Part II, item 26.

For those trading assets that are securitization exposures that do not meet the definition of a covered position and for holding companies not subject to the market risk capital rules:

- *In column B*, report the fair value reported in column A of this item for those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and will be risk-weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach.
- *In column Q*, report the fair value of those trading assets that are securitization exposures that are risk-weighted by applying the 1250 percent risk weight (i.e., those trading asset securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).
- *In column R*, report the risk-weighted asset amount (and not the fair value) of those trading assets that are securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.
- *In column S*, report the risk-weighted asset amount (and not the fair value) of those trading assets that are securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

9(d) **All other on-balance sheet securitization exposures.** Report in column A the amount of all on-balance sheet assets included in Schedule HC that qualify as securitization exposures and are not reported in Part II, items 9(a), 9(b), or 9(c). Refer to the instructions for Part II, items 1, 3, 4, 5, and 8, above for a summary of the reporting locations of other on-balance sheet securitization exposures. For a holding company that has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a), include in this item any accrued but uncollected interest and fees associated with held-to-maturity, available-for-sale, and trading securitization exposures reported in Schedule HC, item 11, "Other assets."

Exposure amount to be used for purposes of risk weighting – holding company that cannot or has not made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a):

For other on-balance sheet securitization exposures where the holding company cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the holding company

2014 Insurance QIS
QIS Instructions (modified for display purposes)

is the exposure's carrying value, which is the value of the exposure reported on the balance sheet of the holding company determined in accordance with GAAP and in column A.

Exposure amount to be used for purposes of risk weighting – holding company has made the AOCI opt out election in Schedule HC-R, Part I, item 3(a):

For other on-balance sheet securitization exposures where the holding company has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the holding company is the exposure's carrying value, less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI. In column B, report any difference between the carrying value and the exposure amount of those other on-balance sheet securitization exposures reported in column A of this item that will be risk weighted by applying the 1,250 percent risk weight.

- *In column B*, all holding companies should include the amount reported in column A of this item for those other on-balance sheet securitization exposures that will be risk-weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach.
- *In column Q*, report the exposure amount of those other on-balance sheet securitization exposures that are risk-weighted by applying the 1250 percent risk weight (i.e., those other on-balance sheet securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).
- *In column R*, report the risk-weighted asset amount (and not the exposure amount) of those other on-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.
- *In column S*, report the risk-weighted asset amount (and not the exposure amount) of those other on-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

10 **Off-balance sheet securitization exposures.** Report in column A the amount of all off-balance sheet items reported in Schedule HC-L or Schedule HC-S that qualify as securitization exposures. Refer to the instructions for Part II, items 12 through 21, for a summary of the reporting locations of off-balance sheet securitization exposures.

Exposure amount to be used for purposes of risk weighting

For an off-balance sheet securitization exposure that is not a repo-style transaction or eligible margin loan for which the holding company calculates an exposure amount under §.37 of the regulatory capital rules, cleared transaction (other than a credit

2014 Insurance QIS

QIS Instructions (modified for display purposes)

derivative), or over-the-counter (OTC) derivative contract (other than a credit derivative), the exposure amount is the notional amount of the exposure.

For an off-balance sheet securitization exposure to an asset-backed commercial paper (ABCP) program, such as an eligible ABCP liquidity facility, the notional amount may be reduced to the maximum potential amount that holding company could be required to fund given the ABCP program's current underlying assets (calculated without regard to the current credit quality of those assets).

The exposure amount of an eligible ABCP liquidity facility for which the Simplified Supervisory Formula Approach (SSFA) does not apply is equal to the notional amount of the exposure multiplied by a credit conversion factor (CCF) of 50 percent.

The exposure amount of an eligible ABCP liquidity facility for which the SSFA applies is equal to the notional amount of the exposure multiplied by a CCF of 100 percent.

For an off-balance sheet securitization exposure that is a repo-style transaction or eligible margin loan for which the holding company calculates an exposure amount under §.37, a cleared transaction (other than a credit derivative), or derivative contract (other than a credit derivative), the exposure amount is the amount calculated under §.34, §.35, or §.37, as applicable, of the regulatory capital rules.

- *In column B*, report the amount of those off-balance sheet securitization exposures reported in column A of this item for which the exposure amount (as described above) will be risk-weighted using either the SSFA or the Gross-Up Approach. Also include in column B the difference between the notional amount reported in column A of this and the exposure amount for those off-balance sheet items that qualify as securitization exposures and will be risk weighted by applying the 1,250 percent risk weight.
- *In column Q*, report the exposure amount of those off-balance sheet securitization exposures that are risk-weighted by applying the 1,250 percent risk weight (i.e., those off-balance sheet securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).
- *In column R*, report the risk-weighted asset amount (and not the exposure amount) of those off-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.
- *In column S*, report the risk-weighted asset amount (and not the exposure amount) of those off-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Part II and in §§.41 to 45 of the regulatory capital rules.

- 11** **Total assets.** Calculated field: For columns A through Q, the sum of items 1 through 9. The sum of columns B through Q must equal column A.

Derivatives and Off-balance Sheet Items (Excluding Securitization Exposures)

Treatment of Liquidity Facilities for Asset-Backed Commercial Paper Programs – Holding companies that provide liquidity facilities to asset-backed commercial paper (ABCP) programs, whether or not they are the program sponsor, must report these facilities in the following manner in Schedule HC-R (unless the holding company is a sponsor and consolidates the sponsored ABCP program assets onto its balance sheet).³⁶ The full amount of the unused portion of an *eligible* liquidity facility with an original maturity exceeding one year to an ABCP facility should be reported in Part II, item 18(c), column A. The full amount of the unused portion of an *eligible* liquidity facility with an original maturity of one year or less to an ABCP facility should be reported in Part II, item 18(a), column A.

Treatment of Off-balance Sheet Securitization Exposures - Any off-balance sheet items reported in Schedule HC-L or Schedule HC-S that qualify as securitization exposures are to be reported in Part II, item 10, column A, and excluded from Part II, items 12 through 21 below.

- 12** **Financial standby letters of credit.** For financial standby letters of credit reported in Schedule HC-L, item 2, that do not meet the definition of a securitization exposure, but are credit enhancements for assets, report *in column A*:

- (1) The amount outstanding and unused of those letters of credit for which this amount is less than the effective risk-based capital requirement for the assets that are credit-enhanced by the letter of credit multiplied by 12.5, and
- (2) The full amount of the assets that are credit-enhanced by those letters of credit that are not multiplied by 12.5.

For all other financial standby letters of credit reported in Schedule HC-L, item 2, that do not meet the definition of a securitization exposure, report in column A the amount outstanding and unused of these letters of credit.

- *In column B*, report 100 percent of the amount reported in column A.
- *In column G—20% risk weight*, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule HC-L, item 2, that has been conveyed to U.S. depository institutions.

³⁶ For further guidance on eligible and ineligible liquidity facilities, holding companies should refer to the “Interagency Guidance on the Eligibility of Asset-Backed Commercial Paper Liquidity Facilities and the Resulting Risk-Based Capital Treatment” issued August 4, 2005 (Federal Reserve Supervision and Regulation Letter 05-13).

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- *In column I–100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.*
- Financial standby letters of credit that must be risk-weighted according to the Country Risk Classification (CRC) methodology
 - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:*
 - *The credit equivalent amount of the portion of financial standby letters of credit reported in Schedule HC-L, item 2, that has been conveyed to foreign depository institutions.*

13 **Performance standby letters of credit and transaction-related contingent items.**

Report in column A transaction-related contingent items, which includes the face amount of performance standby letters of credit reported in Schedule HC-L, item 3, and any other transaction-related contingent items that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules.

- *In column B, report 50 percent of the face amount reported in column A.*
- *In column G–20% risk weight, include the credit equivalent amount of the portion of performance standby letters of credit, performance bids, bid bonds, and warranties reported in Schedule HC-L, item 3, that have been conveyed to U.S. depository institutions.*
- *In column I–100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.*
- Performance standby letters of credit and transaction-related contingent items that must be risk-weighted according to the Country Risk Classification (CRC) methodology
 - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:*
 - *The credit equivalent amount of the portion of performance standby letters of credit, performance bids, bid bonds, and warranties reported in Schedule HC-L, item 3, that have been conveyed to foreign depository institutions.*

14 **Commercial and similar letters of credit with an original maturity of one year or less.**

Report in column A the face amount of those commercial and similar letters of credit, including self-liquidating, trade-related contingent items that arise from the movement of goods, reported in Schedule HC-L, item 4, with an original maturity of one year or less that do not meet the definition of a securitization exposure as

2014 Insurance QIS
QIS Instructions (modified for display purposes)

described in §.2 of the regulatory capital rules. Report those commercial letters of credit with an original maturity exceeding one year that do not meet the definition of a securitization exposure in Part II, item 18.c.

- *In column B*, report 20 percent of the face amount reported in column A.
- *In column G–20% risk weight*, include the credit equivalent amount of the portion of commercial and similar letters of credit, including self-liquidating, trade-related contingent items that arise from the movement of goods, with an original maturity of one year or less, reported in Schedule HC-L, item 4, that have been conveyed to U.S. depository institutions.
- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.
- Commercial and similar letters of credit that must be risk-weighted according to the Country Risk Classification (CRC) methodology
 - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:*
 - The credit equivalent amount of commercial and similar letters of credit, including self-liquidating, trade-related contingent items that arise from the movement of goods, with an original maturity of one year or less, reported in Schedule HC-L, item 4, that have been conveyed to foreign depository institutions.

15 **Retained recourse on small business obligations sold with recourse.** Report in column A the amount of retained recourse on small business obligations reported in Schedule HC-S, Memorandum item 1(b), that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules.

For retained recourse on small business obligations sold with recourse that qualify as securitization exposures, please see §42.(h) of the regulatory capital rules for purposes of risk-weighting and report these exposures in Part II, item 10.

Under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, a "qualifying institution" that transfers small business loans and leases on personal property (small business obligations) with recourse in a transaction that qualifies as a sale under generally accepted accounting principles (GAAP) must maintain risk-based capital only against the amount of recourse retained, provided the institution establishes a recourse liability account that is sufficient under GAAP. Only loans and leases to businesses that meet the criteria for a small business concern established by the Small Business Administration under Section 3(c) of the Small Business Act (12 U.S.C.631) are eligible for this favorable risk-based capital treatment.

2014 Insurance QIS QIS Instructions (modified for display purposes)

In general, a "qualifying institution" is one that is well capitalized without regard to the Section 208 provisions. If a holding company ceases to be a qualifying institution or exceeds the retained recourse limit set forth in banking agency regulations implementing Section 208, all new transfers of small business obligations with recourse would not be treated as sales. However, the reporting and risk-based capital treatment described above will continue to apply to any transfers of small business obligations with recourse that were consummated during the time the holding company was a "qualifying institution" and did not exceed the limit.

- *In column B*, report 100 percent of the amount reported in column A.
- *In column I-100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

16 **Repo-style transactions (excluding reverse repos).** Report in column A the amount of repo-style transactions, which is composed of the sum of the amount of securities lent reported in Schedule HC-L, item 6(a); the amount of securities borrowed reported in Schedule HC-L, item 6(b); and the amount of securities sold under agreements to repurchase reported in Schedule HC, item 14(b),³⁷ that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules. Exclude the amount of securities purchased under agreements to resell (i.e., reverse repos) reported in Schedule HC, item 3(b).

- *In column B*, report 100 percent of the face amount reported in column A.
- *In column C-0% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the zero percent risk weight under the regulatory capital rules (refer to §.37 of the regulatory capital rules).
- *In column D-2% risk weight*, include the credit equivalent amount of centrally cleared repo-style transactions with Qualified Central Counterparties (QCCPs), as defined in §.2 and described in §.35 of the regulatory capital rules.
- *In column E-4% risk weight*, include the credit equivalent amount of centrally cleared repo-style transactions with QCCPs in all other cases that do not meet the criteria of qualification for a 2% risk weight, as described in §.35 of the regulatory capital rules.
- *In column G-20% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 20 percent risk weight under the regulatory capital rules. Also

³⁷ Although securities sold under agreements to repurchase are reported on the balance sheet (Schedule HC) as liabilities, they are treated as off-balance sheet items under the regulatory capital rules.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

include the credit equivalent amount of repo-style transactions that represents exposures to U.S. depository institutions.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.
- *In column J–150% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 150 percent risk weight under the regulatory capital rules.
- Repo-style transactions that must be risk-weighted according to the Country Risk Classification (CRC) methodology:
 - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:*
 - The credit equivalent amount of repo-style transactions that represents exposures to foreign central banks and foreign depository institutions.

17 **All other off-balance sheet liabilities.**

Report in column A:

- The notional amount of all other off-balance sheet liabilities reported in Schedule HC-L, item 9, that are covered by the regulatory capital rules,
- The face amount of risk participations in bankers acceptances that have been acquired by the reporting institution and are outstanding,
- The full amount of loans sold with credit-enhancing representations and warranties that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules,
- The notional amount of all forward agreements, which are defined as legally binding contractual obligations to purchase assets with certain drawdown at a specified future date, not including commitments to make residential mortgage loans or forward foreign exchange contracts, and
- *In column B*, report 100 percent of the face amount, notional amount, or other amount reported in column A.
- *In column C–0% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column G–20% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- *In column H–50% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.
- *In column J–150% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- All other off-balance sheet liabilities that must be risk-weighted according to the Country Risk Classification (CRC) methodology
 - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:*
 - The credit equivalent amount of those other off-balance sheet liabilities described above in the instructions for Column A of this item that represent an exposure to foreign central banks and foreign depository institutions.

18 **Unused commitments.** Report in items 18(a) through 18(c) the amounts of unused commitments, excluding those that are unconditionally cancelable, which are to be reported in Part II, item 19. Where a holding company provides a commitment structured as a syndication or participation, the holding company is only required to calculate the exposure amount for its pro rata share of the commitment.

Exclude from items 18(a) through 18(c) any unused commitments that qualify as securitization exposures, as defined in §.2 of the regulatory capital rules. Unused commitments that are securitization exposures must be reported in Part II, item 10, column A.

18(a) **Original maturity of one year or less, excluding asset-backed commercial paper (ABCP) conduits.** Report in column A the unused portion of those unused commitments reported in Schedule HC-L, item 1, with an original maturity of one year or less, excluding unused commitments to asset-backed commercial paper (ABCP) conduits, that are subject to the regulatory capital rules.

The unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the holding company have a zero percent credit conversion factor. The unused portion of such commitments should be excluded from this item and items 18(b) and 18(c), but should be reported in Part II, item 19.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

"Original maturity" is defined as the length of time between the date a commitment is issued and the date of maturity, or the earliest date on which the holding company (1) is scheduled to (and as a normal practice actually does) review the facility to determine whether or not it should be extended and (2) can unconditionally cancel the commitment.

- *In column B*, report 20 percent of the amount of unused commitments reported in column A.
- *In column C—0% risk weight*, include the credit equivalent amount of unused eligible liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column G—20% risk weight*, include the credit equivalent amount of unused eligible liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column H—50% risk weight*, include the credit equivalent amount of unused eligible liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column I—100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H or J.
- *In column J—150% risk weight*, include the credit equivalent amount of unused eligible liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- Unused commitments with an original maturity of one year or less, excluding ABCP conduits, that must be risk weighted according to the Country Risk Classification (CRC) methodology
 - *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:*
 - The credit equivalent amount of those unused commitments described above in the instructions for Column A of this item that represent exposures to foreign depository institutions.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

18(b) **Original maturity of one year or less to ABCP conduits.** Report in column A the unused portion of those eligible asset-backed commercial paper (ABCP) liquidity facilities with an original maturity of one year or less reported in Schedule HC-L, item 1, that are subject to the regulatory capital rules

Under the regulatory capital rules, the unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the holding company have a zero percent credit conversion factor. The unused portion of such commitments should be excluded from this item and reported in Part II, item 19.

- *In column B*, report 20 percent of the amount of unused commitments reported in column A.
- *In column C—0% risk weight*, include the credit equivalent amount of unused eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column G—20% risk weight*, include the credit equivalent amount of unused eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column H—50% risk weight*, include the credit equivalent amount of unused eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column I—100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.
- *In column J—150% risk weight*, include the credit equivalent amount of eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- Unused commitments with an original maturity of one year or less to ABCP conduits that must be risk-weighted according to the Country Exposure Risk (CRC) methodology
 - *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these*

2014 Insurance QIS
QIS Instructions (modified for display purposes)

exposures to risk weight categories based on the CRC methodology described above in the General Instruction for Part II. Include:

- o The credit equivalent amount of those eligible liquidity facilities described above in the instructions for Column A of this item that represent exposures to foreign depository institutions.

18(c) **Original maturity exceeding one year.** Report in column A the unused portion of those commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions reported in Schedule HC-L, item 1, that have an original maturity exceeding one year and are subject to the regulatory capital rules. Also report in column A the face amount of those commercial and similar letters of credit reported in Schedule HC-L, item 4, with an original maturity exceeding one year that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules. Under the regulatory capital rules, the unused portion of commitments (facilities) which are unconditionally cancelable (without cause) at any time by the holding company (to the extent permitted under applicable law) have a zero percent credit conversion factor. The unused portion of such commitments should be excluded from this item and reported in Part II, item 19.

Also include in column A all revolving underwriting facilities (RUFs) and note issuance facilities (NIFs), regardless of maturity.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a holding company is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law. Retail credit cards and related plans, including overdraft checking plans and overdraft protection programs, are defined to be short-term commitments that should be converted at zero percent and excluded from this item 18(c) if the holding company has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

For commitments providing for increases in the dollar amount of the commitment, the amount to be converted to an on-balance sheet credit equivalent amount and risk weighted is the maximum dollar amount that the holding company is obligated to advance at any time during the life of the commitment. This includes seasonal commitments where the dollar amount of the commitment increases during the customer's peak business period. In addition, this risk-based capital treatment applies to long-term commitments that contain short-term options which, for a fee, allow the customer to increase the dollar amount of the commitment. Until the short-term option has expired, the reporting holding company must convert and risk weight the amount which it is obligated to lend if the option is exercised. After the expiration of a short-term option which has not been exercised, the unused portion of the original amount of the commitment is to be used in the credit conversion process.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- *In column B*, report 50 percent of the amount of unused commitments and the face amount of commercial and similar letters of credit reported in column A. Note that unused commitments that qualify as securitization exposures as defined in §.2 of the regulatory capital rules should be reported as securitization exposures in Part II, item 10.
- *In column C—0% risk weight*, include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column G—20% risk weight*, include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above. Include the credit equivalent amount of commitments that have been conveyed to U.S. depository institutions. Include the credit equivalent amount of those commercial and similar letters of credit reported in Schedule HC-L, item 4, with an original maturity exceeding one year that have been conveyed to U.S. depository institutions.
- *In column H—50% risk weight*, include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column I—100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.
- *In column J—150% risk weight*, include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- Unused commitments and commercial and similar letters of credit with an original maturity exceeding one year that must be risk-weighted according to the Country Risk Classification (CRC) methodology
 - *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:*

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- o The credit equivalent amount of those unused commitments described above in the instructions for Column A of this item that represent exposures to foreign depository institutions.
- o The credit equivalent amount of those commercial and similar letters of credit reported in Schedule HC-L, item 4, with an original maturity exceeding one year that have been conveyed to foreign depository institutions.

19 **Unconditionally cancelable commitments.** Report in column A the unused portion of those unconditionally cancelable commitments reported in Schedule HC-L, item 1, that are subject to the regulatory capital rules.

The unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the holding company (to the extent permitted by applicable law) have a zero percent credit conversion factor. The unused portion of such commitments should be reported in this item in column A.

20 **Over-the-counter derivatives.** Report in column B the credit equivalent amount of over-the-counter (OTC) derivative contracts covered by the regulatory capital rules. Include OTC credit derivative contracts held for trading purposes and subject to the market risk capital rules. Do not include centrally cleared derivative contracts. Do not include OTC derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Part II, item 10.

The credit equivalent amount of an OTC derivative contract to be reported in Column B is the sum of its current credit exposure (as reported in Part II, Memorandum item 1) plus the potential future exposure over the remaining life of the derivative contract (regardless of its current credit exposure, if any), as described in §.34 of the regulatory capital rules. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The potential future credit exposure of a contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate credit conversion factor from the following chart. The notional principal amounts of the reporting holding company's OTC derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Part II, Memorandum items 2(a) through 2(g).

Remaining Maturity	Interest Rate	Foreign exchange rate and gold	Credit (investment grade reference assets)	Credit (non-investment grade reference assets)	Equity	Precious metals (except gold)	Other
One year or less	0.0%	1.0%	5.0%	10.0%	6.0%	7.0%	10.0%

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Greater than one year & less than or equal to five years	0.5%	5.0%	5.0%	10.0%	8.0%	7.0%	12.0%
Greater than five years	1.5%	7.5%	5.0%	10.0%	10.0%	8.0%	15.0%

The existence of a legally enforceable bilateral netting agreement between the reporting holding company and a counterparty may be taken into consideration when determining both the current credit exposure and the potential future exposure of derivative contracts. For further information on the treatment of bilateral netting agreements covering derivative contracts, refer to the instructions for Part II, Memorandum item 1, and §.34 of the regulatory capital rules.

When assigning OTC derivative exposures to risk weight categories, holding companies can recognize the risk-mitigating effects of financial collateral by using either the simple approach or the collateral haircut approach, as described in §.37 of the regulatory capital rules.

- *In column C—0% risk weight*, include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column F—10% risk weight*, include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 10 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column G—20% risk weight*, include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column H—50% risk weight*, include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column I—100% risk weight*, include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees

2014 Insurance QIS
QIS Instructions (modified for display purposes)

or collateral that meets, the criteria for the 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above. Also include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J—150% risk weight*, include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.

21 **Centrally cleared derivatives.** Report in column B the credit equivalent amount of centrally cleared derivative contracts covered by the regulatory capital rules. Include centrally cleared credit derivative contracts held for trading purposes and subject to the market risk capital rules. Do not include over-the-counter derivative contracts. Do not include centrally cleared derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Part II, item 10.

The credit equivalent amount of a centrally cleared derivative contract is the sum of its current credit exposure (as reported in Schedule HC-R, Memorandum item 1), plus the potential future exposure over the remaining life of the derivative contract, plus the fair value of collateral posted by the clearing member client holding company and held by the central counterparty or a clearing member in a manner that is not bankruptcy remote. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The potential future credit exposure of a contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate credit conversion factor from the following chart. The notional principal amounts of the reporting holding company's centrally cleared derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Part II, Memorandum items 3(a) through 3(g).

Remaining Maturity	Interest Rate	Foreign exchange rate and gold	Credit (investment grade reference assets)	Credit (non-investment grade reference assets)	Equity	Precious metals (except gold)	Other
One year or less	0.0%	1.0%	5.0%	10.0%	6.0%	7.0%	10.0%
Greater than one year & less than or equal to five years	0.5%	5.0%	5.0%	10.0%	8.0%	7.0%	12.0%

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Greater than five years	1.5%	7.5%	5.0%	10.0%	10.0%	8.0%	15.0%
-------------------------	------	------	------	-------	-------	------	-------

- *In column C–0% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with central counterparties (CCPs) and counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column D–2% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with Qualified Central Counterparties (QCCPs) where the collateral posted by the holding company to the QCCP or clearing member is subject to an arrangement that prevents any losses to the clearing member client due to the joint default or a concurrent insolvency, liquidation, or receivership proceeding of the clearing member and any other clearing member clients of the clearing member; and the clearing member client holding company has conducted sufficient legal review to conclude with a well-founded basis (and maintains sufficient written documentation of that legal review) that in the event of a legal challenge (including one resulting from default or from liquidation, insolvency, or receivership proceeding) the relevant court and administrative authorities would find the arrangements to be legal, valid, binding and enforceable under the law of the relevant jurisdictions. See the definition of QCCP in §.2 of the regulatory capital rules.
- *In column E–4% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with QCCPs in all other cases that do not meet the criteria of qualification for a 2% risk weight, as described in §.2 of the regulatory capital rules.
- *In column G–20% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with CCPs and counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column H–50% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with CCPs and counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.
- *In column I–100% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with CCPs and counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II,

2014 Insurance QIS
QIS Instructions (modified for display purposes)

items 1 through 8, above. Also include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J–150% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with CCPs and counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Part II, items 1 through 8, above.

22 Total assets, derivatives, and off-balance sheet items by risk weight category. A calculated field: for each of columns C through Q, the sum of items 10 through 21.

23 Risk weight factor. A programmed field.

24 Risk-weighted assets by risk weight category. A calculated field: for each of columns C through Q, the amount in item 22 multiplied by the risk weight factor specified for that column in item 23.

Allowance

25 Risk-weighted assets for purposes of calculating the allowance for loan and lease losses 1.25 percent threshold. Report the sum of:

- Part II:
 - o Items 9(a), 9(b), 9(c), 9(d), and 10, columns R and S; and
 - o Item 24, columns C through Q
- PLUS: Part I:
 - o The portion of item 10.b composed of “Investments in the institution’s own shares to the extent not excluded as part of treasury stock,”
 - o The portion of item 10.b composed of “Reciprocal cross-holdings in the capital of financial institutions in the form of common stock,” and
 - o Items 11, 13 through 17, 24, and 33
- LESS: Part I:
 - o The portion of item 10(b) composed of “After-tax gain-on-sale in connection with a securitization exposure”
 - o The portion of item 10(b) composed of “Defined benefit pension fund assets, net of associated DTLs.”

26 Standardized market risk-weighted assets:

All respondents:

As noted above, respondents that are projected to meet the thresholds for applying the market risk capital rule as of December 31, 2014 should send an email to the Federal reserve, indicating that the respondent would meet the thresholds for the market risk rule.

All other respondents should report zero.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Report the amount of the holding company's standardized market risk-weighted assets.

A holding company's measure for market risk for its covered positions is the sum of its value-at-risk (VaR)-based, stressed VaR-based, incremental risk, and comprehensive risk capital requirements plus its specific risk add-ons and any capital requirement for de minimis exposures. A holding company's market risk-weighted assets equal its measure for market risk multiplied by 12.5 (the reciprocal of the minimum 8.0 percent capital ratio).

A covered position is a trading asset or trading liability (whether on- or off-balance sheet), as reported on Schedule HC-D, that is held for any of the following reasons:

- (1) For the purpose of short-term resale;
- (2) With the intent of benefiting from actual or expected short-term price movements;
- (3) To lock in arbitrage profits; or
- (4) To hedge another covered position.

Additionally, the trading asset or trading liability must be free of any restrictive covenants on its tradability or the holding company is able to hedge the material risk elements of the trading asset or trading liability in a two-way market. A covered position also includes a foreign exchange or commodity position, regardless of whether the position is a trading asset or trading liability (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions).

A covered position does not include:

- (1) An intangible asset (including any servicing asset);
- (2) A hedge of a trading position that is outside the scope of the holding company's hedging strategy;
- (3) Any position that, in form or substance, acts as a liquidity facility that provides support to asset-backed commercial paper;
- (4) A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the regulatory capital rules for credit risk;
- (5) An equity position that is not publicly traded (other than a derivative that references a publicly traded equity);
- (6) A position held with the intent to securitize; or
- (7) A direct real estate holding.

27 [**Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve.**](#) A calculated field: the sum of item 9(a), 9(b), 9(c), 9(d), and 10, columns R and S; item 24, columns C through Q; and, if applicable, item 26.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- 28** **LESS: Excess allowance for loan and lease losses.** Report the amount, if any, by which the holding company's allowance for loan and lease losses exceeds 1.25 percent of the holding company's *gross* risk-weighted assets. The amount to be reported in this item equals Schedule HC, item 4(c), "Allowance for loan and lease losses," less Schedule HI-B, Part II, Memorandum item 1, "Allocated transfer risk reserve included in Schedule HI-B, Part II, item 7, above," plus Schedule HC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures," less Part I, item 30(a), "Allowance for loan and lease losses includable in tier 2 capital."
- 29** **LESS: Allocated transfer risk reserve.** Report the entire amount of any allocated transfer risk reserve (ATRR) the reporting holding company is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K), and in any guidelines, letters, or instructions issued by the agencies. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment (which is reported in Schedule HI-B, Part II, Memorandum item 1) plus the ATRR for assets other than loans and leases held for investment.
- 30** **Total risk-weighted assets.** Calculated field: item 27 less items 28 and 29.

Part II Memoranda Items

M1 **Current credit exposure across all derivative contracts covered by the regulatory capital rules.** Report the total current credit exposure amount for all interest rate, foreign exchange rate, gold, credit (investment grade reference assets), credit (non-investment grade reference assets), equity, precious metals (except gold), and other derivative contracts covered by the regulatory capital rules after considering applicable legally enforceable bilateral netting agreements. Holding companies that are subject to the market risk rule should exclude all covered positions subject to these guidelines, except for foreign exchange derivatives that are outside of the trading account. Foreign exchange derivatives that are outside of the trading account and all over-the-counter (OTC) derivatives continue to have a counterparty credit risk capital charge and, therefore, a current credit exposure amount for these derivatives should be reported in this item.

Include the current credit exposure arising from credit derivative contracts where the holding company is the protection purchaser (beneficiary) and the credit derivative contract is either (a) defined as a covered position under the market risk rule or (b) not defined as a covered position under the market risk rule and is not recognized as a guarantee for regulatory capital purposes.

Purchased options held by the reporting holding company that are traded on an exchange are covered by the regulatory capital rules unless such options are subject to a daily variation margin. Variation margin is defined as the gain or loss on open positions, calculated by marking to market at the end of each trading day. Such gain or loss is credited or debited by the clearing house to each clearing member's account, and by members to their customers' accounts.

If a written option contract acts as a financial guarantee that does not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules, then for risk-based capital purposes the notional amount of the option should be included in Part II, item 17, column A, as part of "All other off-balance sheet liabilities." An example of such a contract occurs when the reporting holding company writes a put option to a second holding company or a bank that has a loan to a third party. The strike price would be the equivalent of the par value of the loan. If the credit quality of the loan deteriorates, thereby reducing the value of the loan to the second holding company or bank, the reporting holding company would be required by the second holding company or bank to take the loan onto its books.

Do not include derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Part II, item 10.

Current credit exposure (sometimes referred to as the replacement cost) is the fair value of a derivative contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero. Current credit exposure

2014 Insurance QIS
QIS Instructions (modified for display purposes)

should be derived as follows: Determine whether a qualifying master netting agreement, as defined in §.2 of the regulatory capital rules, is in place between the reporting holding company and a counterparty. If such an agreement is in place, the fair values of all applicable derivative contracts with that counterparty that are included in the netting agreement are netted to a single amount.

Next, for all other contracts covered by the regulatory capital rules that have positive fair values, the total of the positive fair values is determined. Then, report in this item the sum of (i) the net positive fair values of applicable derivative contracts subject to qualifying master netting agreements and (ii) the total positive fair values of all other contracts covered by the regulatory capital rules for both over-the-counter and centrally cleared contracts. The current credit exposure reported in this item is a component of the credit equivalent amount of derivative contracts that is to be reported in Schedule HC-R, items 20 or 21, column B, depending on whether the contracts are centrally cleared.

M2 **Notional principal amounts of over-the-counter derivative contracts.** Report in the appropriate sub-item and column the notional amount or par value of all over-the-counter derivative contracts, including credit derivatives, that are subject to the regulatory capital rules. Such contracts include swaps, forwards, and purchased options. Do not include over-the-counter derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Part II, item 10. Report notional amounts and par values in the column corresponding to the contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.

The notional amount or par value to be reported for an off-balance-sheet derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of \$1,000,000 whose terms call for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of \$10,000,000.)

The notional amount to be reported for an amortizing derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.

For descriptions of "interest rate contracts," "foreign exchange contracts," "commodity and other contracts," and "equity derivative contracts," refer to the instructions for Schedule HC-L, item 12. For a description of "credit derivative contracts," refer to the instructions for Schedule HC-L, item 7.

M3 **Notional principal amounts of centrally cleared derivative contracts.** Report in the appropriate subitem and column the notional amount or par value of all centrally

2014 Insurance QIS
QIS Instructions (modified for display purposes)

cleared derivative contracts, including credit derivatives, that are subject to the regulatory capital rules. Such contracts include swaps, forwards, and purchased options. Do not include centrally cleared derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Part II, item 10. Report notional amounts and par values in the column corresponding to the contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.

The notional amount or par value to be reported for a centrally cleared derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of \$1,000,000 whose terms call for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of \$10,000,000.)

The notional amount to be reported for an amortizing derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.

For descriptions of "interest rate contracts," "foreign exchange contracts," "commodity and other contracts," and "equity derivative contracts," refer to the instructions for Schedule HC-L, item 12. For a description of "credit derivative contracts," refer to the instructions for Schedule HC-L, item 7.

2(a) and 3(a) **Interest rate.** Report the remaining maturities of interest rate contracts that are subject to the regulatory capital rules.

2(b) and 3(b) **Foreign exchange rate and gold.** Report the remaining maturities of foreign exchange contracts and the remaining maturities of gold contracts that are subject to the regulatory capital rules.

2(c) and 3(c) **Credit (investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity meets the definition of investment grade as described in §.2 of the regulatory capital rules.

2(d) and 3(d) **Credit (non-investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity does not meet the definition of investment grade as described in §.2 of the regulatory capital rules.

2(e) and 3(e) **Equity.** Report the remaining maturities of equity derivative contracts that are subject to the regulatory capital rules.

2(f) and **Precious metals (except gold).** Report the remaining maturities of other precious

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- 3(f)** metals contracts that are subject to the regulatory capital rules. Report all silver, platinum, and palladium contracts.
- 2(g) and 3(g)** **Other.** Report the remaining maturities of other derivative contracts that are subject to the regulatory capital rules. For contracts with multiple exchanges of principal, notional amount is determined by multiplying the contractual amount by the number of remaining payments (i.e., exchanges of principal) in the derivative contract.
- M4** **Standardized market risk-weighted assets attributable to specific risk (only if reported a non-zero value in Part II, item 26).**

Applies only to respondents that reported a non-zero value in Part II, item 26:

Report the amount of the holding company's market risk-weighted assets attributable to specific risk, included in Part II, item 26, "Standardized measurement of market risk-weighted assets (applicable to all holding companies that are covered by the Market Risk Rule)." Specific risk refers to changes in the market value of specific positions due to factors other than broad market movements and includes event and default risk. For further background information, holding companies should refer to the discussion of "Holding companies that are subject to the market risk capital rules" in the Risk-Weighted Assets section of these instructions, the line item instructions for Part II, item 26, and the regulatory capital rules for specific instructions on the calculation of the measure of market risk.

Part III: Separate Account Data

General instructions

Respondents that report separate account data (as described in Part II, general instructions for separate account data) in accordance with SAP, U.S. GAAP, or other accounting standard should fill out Part III of the QIS Reporting Template. Non-U.S. GAAP filers should provide estimates and methodology in the Supplemental Response Document. In addition, respondents with guaranteed separate account assets, as described under the Basel III approach, should complete the Separate Account Questionnaire in the attachment to the Supplemental Response Document.

Respondents with *non-guaranteed* separate account assets only should complete Part III, SA-1 for separate account assets (SA-1). Respondents with *guaranteed* separate account assets should complete two tabs: Part III, SA-1 for separate account assets (SA-1) and Part III, SA-2 for separate account liabilities (SA-2).

Data reported in Part III should be as of December 31, 2013. Data reported using the Basel III or GAAP approaches should be reported on a consolidated U.S. GAAP basis, consistent with the consolidated data reported in Parts I and II of the QIS. Data reported using other regulatory frameworks (e.g., state-based or foreign-equivalent regulatory capital requirements) should be reported as aggregated dollar amounts (in thousands) across legal entities using the respective accounting valuation. Data related to foreign jurisdictions should be converted to U.S. Dollars at the December 31, 2013 spot exchange rate.

Specific Instructions for Part III, SA-1 and Part III, SA-2

The purpose of SA-1 is to provide a breakdown of separate account assets by product type. The purpose of SA-2 is to provide a breakdown of general account liabilities linked to products with assets in the separate account, by product type.

Product information categories

Respondents should report data aggregated across all legal entities for the specified product categories. Respondents may be able to incorporate product information data from the NAIC Annual Statement on Separate Account disclosure, “Analysis of Increase in Reserves During the Year,” as applicable. Product sub-categories are designed to capture additional product-level detail.

If sub-category details are unavailable, please enter total amount in “other” sub-category and provide a brief description for the calculation, as well as the product categories used in the calculation, in the Supplemental Response Document.

Note that the “Individual Annuities” product category contains a product sub-category for variable annuities in which respondents are instructed to provide aggregate amounts grouped by Variable Annuities with Death Benefit Only and Variable Annuities with Living Benefits. Variable Annuities with Living Benefits amounts should be inclusive of any death benefit guarantee attached to the contract. In the Supplemental Response Document, respondents should

2014 Insurance QIS QIS Instructions (modified for display purposes)

provide an additional break down of the Variable Annuities with Living Benefits liability amount by (1) death benefit and (2) living benefit type (e.g., GMWB, GMLB, GMIB, GMAB).

The “Other” category should include all other amounts, including amounts not reported in the NAIC Annual Statement product categories or in foreign regulators’ reporting. If the amount reported in the “Other” category exceeds 5 percent of the total amount of all Individual Life Insurance, please provide the product breakdown and corresponding amounts in the Supplemental Response Document.

Part III, SA-1 only: “Company Funds” category corresponds to the portion of separate account assets consisting of surplus, seed capital or other form of Company Funds of legal entities of respondent.

SA-1: Separate Account Assets

Columns A and B – Amounts Correspond to State-based or Foreign Equivalent Regulatory Definitions of Guaranteed and Non-guaranteed Separate Accounts

Provide aggregated data for separate account assets, using state-based or foreign equivalent regulatory definitions and valuations of guaranteed and non-guaranteed separate account assets, including separate account assets of all domestic commercial, foreign commercial and affiliated reinsurance captive insurance entities.

For example, to provide information for these amounts for U.S. domestic commercial insurance entities, respondents may be able to incorporate data reported for purposes of Note 32 of the 2013 NAIC Annual Statement, Notes to Financial Statements.

Columns C and D – Amounts Correspond to the Relevant Separate Account-related Definitions in the Regulatory Capital Rules (Basel III approach described above)

Provide consolidated data for guaranteed and non-guaranteed separate account assets using the Basel III approach (see Part II, general instructions for separate accounts).

Non-U.S. GAAP filers should use same methodology to estimate GAAP separate account asset valuations as reported in Part II of the QIS Reporting Template.

SA-2: Separate Account Liabilities

Columns A through F- Amounts Correspond to State-based or Foreign Equivalent Regulatory Capital Requirements

- *Columns A and B, Guarantee Liability*, collect aggregate information on “Gross Liability” and “Net Liability.”

2014 Insurance QIS
QIS Instructions (modified for display purposes)

- o *In Column A, Gross Liability*, report the sum of all domestic commercial, foreign commercial, and affiliated reinsurance captive insurance entities general account insurance reserves or other insurance liabilities (e.g. deposit type contracts) linked to the products with assets in the separate account as reported in accordance with state-based or foreign equivalent regulatory capital requirements before reinsurance transfers. Respondents are instructed to use state-based or foreign equivalent regulatory definitions of gross insurance reserves and other insurance liabilities.

For example, for U.S. domestic commercial insurance entities, the definition of insurance reserves would correspond with products with assets in the separate account linked to insurance reserves contained in Exhibit 5 – Aggregate Reserve For Life Contracts of the 2013 NAIC Annual Statement.

- o *In Column B, Net Liability*, deduct reinsurance ceded for each of the Net Liability column entries.
- *Columns C through F, Capital Requirement*, collect aggregate information on capital requirements for Domestic Commercial, Domestic Affiliated Reinsurance Captive, Foreign Commercial, and Foreign Affiliated Reinsurance Captive. In these columns, provide local insurance jurisdictions minimum capital requirement levels for general account insurance liabilities linked to the products in the separate account under these four sub-categories.

For example, in Column C, for the Domestic Insurance amount, the capital requirement amount would be equal to the sum of all domestic commercial insurance entities' Authorized Control Level Risk-Based Capital as it appears in the Five-Year Historical Summary of the 2013 Annual Statement and which pertains to general account insurance liabilities linked to the products in the separate account.

Similarly, Column E and Column F, Capital Requirements for Foreign Commercial and Affiliated Reinsurance Captives (domestic and foreign), collect aggregate information on all (re)insurance entities' minimum capital requirements in accordance with state-based or foreign equivalent regulatory capital requirements.

Columns G through I - Amounts Correspond to U.S. GAAP amounts

- Columns G through I collect information on U.S. GAAP amounts in accordance with: "SOP 03-1", "FAS 133/157," and "Other." Respondents should sum up U.S. GAAP general account insurance liabilities linked to the products with assets in the separate account according to the applicable rule applied to measure the liability.

For any amounts recorded under the column "Other," specify in the Supplemental Response Document the accounting rules in use.

2014 Insurance QIS
QIS Instructions (modified for display purposes)

Non-U.S. GAAP filers:

Provide estimates for general account liabilities linked to products with assets in the separate account on a U.S. GAAP basis and describe the methodology used to derive any material estimates in the Supplemental Response Document.

Part IV: State-based or Foreign Equivalent Risk-Based Capital Requirements

Column A, state-based risk-based capital (RBC), is designed to capture minimum risk-based capital amounts as reported on the firm's year-end 2013 Property and Casualty, Life, or Health Risk-Based Capital Report. Please sum up the requirements by legal entity and report an aggregate amount for each individual line item, before covariance. "Total before covariance" cell will be calculated, based on the respondent's inputs. The respondent should provide "Total after covariance."

Column B, foreign equivalent RBC, is designed to capture minimum risk-based capital amounts as required by foreign jurisdictions. Please sum up the requirements by legal entity and report an aggregate amount before covariance. If applicable, please provide a sum total after covariance.

In the Supplemental Response Document, please provide a brief narrative that would assist in explaining the amounts reported in Part IV.