FR 3075
OMB No. 7100-0362
Approval expires September 30, 2017

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

Supplemental Response Document

Part of the QIS Materials

for Firms Substantially Engaged in

Insurance Underwriting Activities

September 30, 2014

Please provide the following information:

	Reporting Firm's Information
Firm's full legal name	
Submission date	

Table of Contents

Errata

The Federal Reserve Board revised this document on November 14, 2014, to clarify instructions on the “Common equity tier 1 capital: adjustments and deductions” section found on page 8.

Supplemental Response Document

A. Background

Please use this Supplemental Response Document in conjunction with the QIS Reporting template and QIS Instructions. This document is a template designed to assist the respondents in providing qualitative responses and additional details that would help evaluate the respondents' QIS data submissions. The examples provided in this document are meant to be a guide to help organize the responses. In instances when the firm is requested to provide a narrative, it should complete the template in a manner that best explains its methodology in reporting a certain line item. Please use the Supplemental Response Document to note any major issues that the respondent has with regard to completing the QIS Reporting Template.

B. Information requested in the QIS General Instructions

1. Please indicate whether your firm prepares consolidated financial statements based on U.S. generally accepted accounting principles (U.S. GAAP) and indicate the level of consolidation.

2. Data should be provided on a consolidated basis, using U.S. 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.

3. If a firm files10K/10Q, please provide a brief reconciliation of the data reported in 10K/10Q and in the QIS.

4. If a firm needs to develop estimates for certain balance sheet line items, the firm 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. For example, describe the methodologies and assumptions the respondent made that impacts more than one line item.

C. Information requested in the Supplemental Instructions for Non-U.S. GAAP Filers

1. If a firm does not prepare audited consolidated financial statements based on U.S. GAAP at the top-tier level, please provide the following information:
    a. 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 assist in understanding the basis for the estimates. 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.

b. For subsidiaries and other entities that must be consolidated for which U.S. GAAP financial statements are not prepared, please describe assumptions, methodologies, and steps used to convert asset and liability balances to GAAP amounts.

c. 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 this QIS should be disclosed along with an explanation for each exclusion. In addition, please provide balances for total assets and total equity of the entities that have not been consolidated for purposes of this QIS.

d. 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 provide the appropriate details.

e. Include any other relevant details to describe the conversion methods and approaches to derive GAAP amounts, including any simplifying assumptions or practical expedients.

f. 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 For example, the respondent may use the table below to present this information:

An estimated cost of conversion to develop U.S. GAAP-based consolidated regulatory reporting

Cost and time	Dollar amount (in thousands); hours (annual basis); other
Initial implementation cost	

Please provide a high-level breakdown, if possible	
Ongoing annual cost	
Please provide a high-level breakdown, if possible	
External audit fees	
Length of time to perform the full conversion to top-tier consolidated U.S. GAAP	
Any other relevant considerations	

D. Information requested in Part I: Regulatory Capital Components and Ratios

Common equity tier 1 capital

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

Note the amount reported in line item 1 of the QIS Reporting Template. If the respondent is a U.S. GAAP filer and the amount reported in item 1 differs from its public reports, please note why.

For example: The table below represents a generalized description for the Shareholder Equity Account.

Shareholders' Equity Components	**Dollar Amount (in thousands)**
Common Stock	
Treasury Stock	
Additional Paid-in capital	
Retained Earnings	
AOCI	
Total Shareholders' Equity	

The amount reported in line item 1 of the QIS Reporting Template should equal to the sum of the first three components listed in the table above; if it does not, please note the reason.

Line item 2 Retained earnings.

Note the amount of closed block distributable earnings or policy holder dividend obligation included in retained earnings.

<u>Non-U.S. GAAP Filers</u>:

Describe the methods used to convert non-U.S. GAAP amounts to U.S. GAAP amounts for major balance sheet items for purposes of reporting retained earnings.

For example:

A. Total Assets
B. Adjustments for Intangibles and Deferred Acquisition Costs
C. Total Liabilities

Line item 3 Accumulated other comprehensive income (AOCI) and Part I memoranda items.

For items M1a through M1g, please provide a narrative on how the respondent estimated these figures, including an explanation on any management judgments.

<u>Non-U.S. GAAP Filers</u>:
If the burden of calculating a certain component outweighs the impact that the item would have on capital ratios, please describe the concern here.

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

<u>Non-U.S. GAAP filers</u>:
Please provide a narrative on the method used to estimates minority interest (non-controlling interest) on a U.S. GAAP basis. Respondent should also prove details on the majority-owned subsidiaries that you believe would be necessary to understand the estimated minority interests.

Common equity tier 1 capital: adjustments and deductions

Please provide a general narrative on the respondent's methodology to determine the components of DTA and the appropriate netting of corresponding DTLs. If 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.

For example:
As of 4Q 2013 the total net DTA GAAP basis was $100 million. In order to determine the amount of disallowed DTA according to the instructions, data was collected from internal

sources *[Note if this is from public filings]*. The data was further broken down in consideration of tax jurisdiction in order to determine a pro-rata allocation of DTLs against NOL / credit carry forward DTAs and Other Temporary difference DTAs could be applied at the necessary level per Section .22(e)(3)(i) of the revised capital rule.

The amount of NOL and credit carry forward DTA, net of valuation allowance was, approximately $80 million as of December 31, 2013. The vast majority of this amount related to tax attributes from our group falls into U.S. tax jurisdiction. For any other jurisdictions, the amounts of NOL and credit carry forward DTAs net of valuation allowance were broken down [*Insert Methodology*]

The preliminary assessment of the DTAs and DTLs includes all deferred components of the Group Consolidation as reported in the Firm's Form 10-K, which includes AOCI, goodwill, and intangible deferred tax balances. [*Note if this is not the case with a brief reconciliation to public financials.*]

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

All respondents:
Please note the DTL associated with the goodwill.

Non-U.S. GAAP filers:
Please provide a general narrative describing the respondent's methodology to calculate goodwill for acquired firms that do not prepare U.S. GAAP reports.

If a respondent determines that it is not possible to develop a reasonable estimate of these intangible assets, the balance should be $0. In addition, please provide a brief explanation as to why the respondent determined that an estimate was not possible.

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

Non-U.S. GAAP filers:
Please provide a general narrative describing respondent's methodology to calculate intangible assets.

If a respondent determines that it is not possible to develop a reasonable estimate of these intangible assets, the balance should be $0. In addition, please provide a brief explanation as to why the respondent determined that an estimate was not possible

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

Non-U.S. GAAP filers:
Respondents 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.

For example:

	Non-U.S. GAAP (dollar amount in thousands)	U.S. GAAP Estimate (dollar amount in thousands)
Deferred Tax Asset		
Deferred Tax Liability		
Allowances		

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

Non-U.S. GAAP filers:
Please provide a general narrative describing respondent's methodology to calculate unrealized gains (losses). 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.

Please note if the respondent could not use its existing accounting systems to estimate unrealized gains (losses).

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.

Provide a breakdown of the sources and amounts of own credit risk.

If large respondents (i.e., institutions 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, as projected for December 31, 2014) 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.

For each of the sub-items in Line item 10(b): if the value is greater than zero, please provide a general narrative on respondent's methodology to estimate the amount reported in the template.

For sub-items 3 and 4: please provide a brief explanation what types of investments respondent surveyed.

Please provide a detailed list of the types of firms the respondent considered as a financial institution (i.e., broker-dealers, banks, etc.).

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.

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-effort 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 the material holdings (e.g., above 5 percent).

For example:

Brief description of company	Type of investment	Dollar amount in thousands
Merchant bank	Investment in public shares	$2,000,000
Broker dealer B	Investment in public shares	$1,000,000
10% threshold of CET 1		$500,000
Total amount of deduction		$2,500,000

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.

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 (similar to the format in item 11).

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.

Provide any supporting work or schedules used to determine the DTA amount reported in item 15. 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 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.

Please complete the following table to provide information on common equity tier 1 capital deductions due to insufficient amounts of additional tier 1 capital and tier 2 capital.

(Report dollar amounts in thousands)	Common equity tier 1	Additional tier 1 capital	Additional tier 2 capital
Capital			
Subtract: Regulatory capital deductions			
Subtract: Other deductions			
Subtotal			
Regulatory deductions due to insufficient tier 2 capital			
Regulatory deductions due to insufficient additional tier 1 capital			

Line item 24 LESS: Additional tier 1 capital deductions.

For sub-item 5: Other adjustments and deductions.

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).

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.

***For example*:**

Legal Entity Name	Jurisdiction	Required Capital for deduction (U.S. dollar amount in thousands)	Local Regulatory Requirement	50 percent deduction for insurance underwriting risks in item 24

Legal Entity 1	United Kingdom	$50,000	155% ECR	
Legal Entity 2	Japan	$100,000	200% SMR	

Line item 27 Tier 2 capital instruments plus related surplus.

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 36 Average total consolidated assets

Please provide a narrative on any significant challenges or obstacles to daily average balance reporting. Identify material balances that would not be available on a daily basis.

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

Please provide a narrative explaining the reported amount if it is greater than zero.

E. Information requested in Part II: Risk-weighted Assets

General:

1. *Non-U.S. GAAP filers*: please provide U.S. GAAP estimates of separate account asset balances reported on a best-efforts basis taking into consideration the materiality of the line item.

2. *Market risk capital rule*: 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 BSR-QIS-Insurance@frb.gov, with a subject line of "Market risk rule," 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.

3. *Embedded derivatives*: please provide a breakout of the embedded derivatives reported in items 1 through 11, by type and amount.

Specific line items:

Line item 2 Securities (excluding securitization exposures).

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.

Line item 2(a) Held-to-maturity securities.

Non-U.S. GAAP filers:
Please provide a short narrative on how the respondent determined if a security is held to maturity.

Line item 2(b) Available-for-sale securities.

Non-U.S. GAAP filers:
Please briefly describe any securities for which another method of measurement was employed (e.g., if a fair value estimate was not available or impractical to estimate).

Line item 6 Allowance for loan and lease losses.

Non-U.S. GAAP filers:
Respondents should articulate challenges or limitations to obtaining the necessary loss data going forward to meet the requirements of ASC 450.

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.

Line item 7 Trading assets (excluding securitization exposures that receive standardized charges).

Non-U.S. GAAP filers:
Disclose any securities for which another method of measurement was employed (e.g., if a fair value estimate was not available or impractical to estimate).

Line item 8 All other assets.

Non-U.S. GAAP filers:
Please provide a narrative on the methodology employed to develop a U.S. GAAP-based estimate for material items.

Line items 9-10 Securitization exposures

For respondents with securitized asset exposures please provide a narrative on the methodology used to estimate RWA. Please include the methodology used to determine risk-weighted assets (RWA) for both on-balance sheet and off-balance sheet securitizations.

For example: Respondents could use the following table as part of their narrative:

RWA Component (Market RWA or Credit RWA)	Brief Description of the Asset (e.g., on- or off-balance sheet; traditional or synthetic; brief description of the tranche, ABCP liquidity facility, etc.)	Book Value ($ amount in thousands)	Market Value ($ amount in thousands)	Approach applied (SSFA or Gross-up)	RWA($ amount in thousands)

F. Information requested in Part III: Separate Account Data

Non-U.S. GAAP filers:
Please should provide estimates and methodology for purposes of reporting separate account data in Part III of the QIS Reporting Template.

SA-1 and SA-2:

Product information categories
If sub-category details are unavailable, please provide a brief description of the basis for the calculation, as well as the product categories used in the calculation.

In the individual annuities product category, provide a breakdown of the Variable Annuities with Living Benefits liability amount by (1) death benefit and (2) living benefit type (e.g., GMWB, GMLB, GMIB, GMAB).

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.

SA-2:

Columns G through I - Amounts Correspond to U.S. GAAP amounts: for any amounts recorded under the column "Other," specify the accounting rules in use.

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.

G. State-based or Foreign Equivalent Risk-Based Capital Requirements

Please provide a brief narrative that would assist in explaining the amounts reported in Part IV of the QIS Reporting Template.

Attachment: Separate Account Questionnaire

Note: This questionnaire is only for respondents with guaranteed separate account assets, as described under the Basel III approach (see Part II, general instructions for separate account data).

Please complete the Separate Account Questionnaire using data as of December 31, 2013, consistent with the data reported in Part III of the QIS Reporting Template. If there are material changes since December 31, 2013 that affect the respondent's separate account exposures, please note it upfront or in the relevant responses to the items below.

Product Information

1. Provide a brief overview of separate account products that are currently offered and that were previously offered for which significant exposure continues to exist. Product descriptions should include a description of the guarantee, including the primary features and additional features of the guarantee that would be helpful to understand the liability (i.e., Variable Annuity Living Benefits– GMWB 5% for life at 60, ratchet, compounded annually, equity allocation maximum 95%). Product descriptions should be grouped according to product categories provided in Part III, SA-1 of the QIS Reporting Template.

For example:

Product (status-current or previously offered)	**Primary features of the guarantee**	**Additional features of the guarantee**	**Liability (dollar amount in thousands)**
Variable life (current)			n/a
Variable life (previously offered)			$1,000

2. Provide a description of other assets included in risk-weighted assets in Part II of the QIS Reporting Template (e.g., DAC, VOBA, any other relevant assets) which are impacted by changes in guarantees for separate accounts. Assets should be grouped according to product categories in Part III, SA-1 of the QIS Reporting Template. Also break out assets balances related to products categorized as "Other" if material.

For example:

Product offered	**Assets impacted by changes in guarantees for separate accounts**	**Asset balances (dollar amount in thousands)**
[Name of the product]	[e.g., DAC]	

In addition, please describe how assets impacted by changes in guarantees for separate accounts would move in relation to changes in guarantees for separate accounts (direction and magnitude) to the extent possible.

Risk Measurement of Guarantees on Separate Accounts Assets

3. If your firm currently uses a models-based approach to quantify the risks associated with separate account products with guarantees, how does the resulting measure of risk (e.g., VaR-based capital) compare to the local regulatory jurisdiction capital and reserve requirements? By jurisdiction, please indicate whether the models-based measure of risk is generally higher or lower than the local jurisdiction's requirements for capital and reserves what the key drivers of the differences are.

4. For the product categories provided in Part III, SA-1 of the QIS Reporting Template, provide the following:

(a) Measurement of U.S. Domestic Insurance Gross Reserve of variable annuity guarantees under AG 43/C-3 Phase 2.
Please use the table below to organize the response.

		Report the amounts in this column (e.g., dollar amounts are in thousands):
i Conditional Tail Expectation (CTE) at 70th, 85th, 90th, and 95th percentile (using same approach as used to calculate AG 43 reserve requirement). For example, CTE 70, 85, 90, 95 as well as loss distribution values at the same 70th, 85th, 90th, and 95th percentile confidence levels.	CTE 70: CTE 85: CTE 90: CTE 95:	
ii Standard scenario amount		
iii. Hedging credit portion of the reserve under AG 43		
iv. Additional amount held for capital above the Authorized Control Level Risk-Based Capital		

(b) Provide a breakdown of the amounts of variable annuity guarantees reported in 4(a) under Foreign Insurance and both Domestic and Foreign Affiliated Reinsurance Captive regulatory jurisdictions, as applicable.

(c) Describe all other local regulatory jurisdiction risk measurement of reserves and capital held for all other guaranteed separate account products not covered in 4(a).

5. Using the product categories in Part III, SA-1 of the QIS Reporting Template, aggregate firm-wide "total maximum guarantee the general account would provide to the separate account" in accordance with the NAIC statutory account rules per the NAIC Annual Statement, Notes to the Financial Statements, 34A (3). Provide a detailed description of the principal inputs and assumptions used to derive the results.

6. Please provide any additional information which would assist in understanding the drivers of risk for guarantees on separate account assets and the measurement techniques and tools currently employed by respondent to manage risk exposure. Discuss risk-sensitive drivers by type such as interest rate movement, equity market volatility, optionality, policyholder behavior, etc.

Risk Mitigation

7. Using the product categories of Guarantee Liabilities in Part III, SA-2 of the QIS Reporting Template, describe the types of hedges and strategies for general account liabilities linked to separate accounts.

8. Describe any significant risk mitigating design features for guaranteed separate account products listed in Part III, SA-2 of the QIS Reporting Template.

9. If respondent uses third-party (non-affiliate) reinsurance to cede Gross Liabilities, using the product categories from Part III, SA-2 of the QIS Reporting Template, provide the dollar amount (in thousands) of liabilities ceded and specify the type and purpose of the reinsurance programs in place.

Reconciliation

10. Based on the information reported in Part III, SA-1 of the QIS Reporting Template, describe the basis for material differences (e.g., 5 percent or greater), including reasons, products, and dollar amounts, between guaranteed separate accounts reported under the state-based or foreign equivalent regulatory definitions and the Basel III approach.