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January 6, 2012

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: *Proposed Agency Information Collection Activities—FR 2320*
76 Fed. Reg. 70146 (November 10, 2011)

Dear Ms. Johnson:

We write on behalf of The Auto Club Group ("ACG"), the Auto Club Insurance Association ("ACIA") and Auto Club Trust, F.S.B. (the "Bank"), in response to the Board of Governors of the Federal Reserve System's (the "Board") newly proposed Form 2320, Quarterly Savings and Loan Holding Company Report (the "Proposed Report"). We welcome the opportunity to comment on the Proposed Report and write to express certain concerns with the reporting requirements set forth therein.

The Bank, a federal savings bank, is owned by three related savings and loan holding companies (each, a "SLHC"): approximately 99.1% of the Bank's shares are owned by ACIA. The remaining .9% of the Bank's shares are owned by ACG through its wholly owned subsidiary Auto Club Services, Inc. ("ACS"). ACIA, ACS and ACG (along with the Bank, collectively the "ACG Group") are each a grandfathered unitary savings and loan holding company (a "Grandfathered SLHC") under Title IV of the Gramm-Leach-Bliley Act of 1999 ("GLBA") and Section 10(c)(9)(C) of the Home Owners' Loan Act ("HOLA").

Background

In August 2011, the Board proposed a new reporting framework for SLHCs (76 Fed. Reg. 53129 (August 25, 2011)). In a release (the "Reporting Release") dated December 23, 2011 (76 Fed. Reg. 81933 (December 29, 2011)), the Board adopted largely as proposed the reporting requirements for SLHCs. The Reporting Release requires most

SLHCs to use the FR Y series reporting framework presently in use by bank holding companies under the Board's supervision. Recognizing that the FR Y series is not appropriate for many SLHCs, and particularly Grandfathered SLHCs, the Reporting Release created categories of SLHCs initially exempt from reporting on the FR Y series.[1] The Reporting Release noted that exempt SLHCs would continue to report on Schedule HC to the Thrift Financial Report.

On November 10, 2011, the Board issued the proposed Form 2320 (the "Form 2320") which is intended to replace Schedule HC to the Thrift Financial Report. As the Board noted, the federal banking agencies have eliminated the Thrift Financial Report following the December 31, 2011 reporting period. Form 2320 is identical to Schedule HC.

Discussion

ACG, ACS and ACIA will each qualify as an exempt SLHC under the framework outlined in the Reporting Release and thus will be eligible to provide quarterly reports on Form 2320. ACG Group appreciates the Board's decision to leave the substantive reporting requirements of Schedule HC in place for those institutions exempted under the Reporting Release. However, we write to express certain potential concerns we have with the reporting requirements of Form 2320.

In our review of Form 2320 and the accompanying instructions, we note that the Board appears to contemplate a Form 2320 filing only by the top-level holding company, subject to narrow exceptions. Specifically, the release accompanying Form 2320 states that the proposed report would be filed by top-tier SLHCs except "in situations where the top-tier SLHC is not the direct owner of the thrift or does not control the thrift . . . ." It is possible that under this language in the release, ACIA would be the appropriate Form 2320 filer (ACG is only the indirect corporate parent and does not directly control the Bank). If this is the case, then ACG Group recommends that the instructions to Form 2320 provide clearly the circumstances under which a top-level SLHC will be exempt from reporting.

If, however, ACG, the top-level SLHC in ACG Group, will be the reporting entity, we recommend that the Board adopt the more flexible approach taken in the instructions to Schedule HC. The Schedule HC instructions provide that if a thrift is owned by more than one holding company, the Office of Thrift Supervision (the "OTS") has the option to inform the holding company group as to which particular holding company is required to report on Schedule HC. Consistent with these instructions, the OTS previously

[1] The Reporting Release exempts SLHCs which fall into one of the following two categories: (i) Grandfathered SLHCs whose thrift subsidiary has assets making up less than 5% of the total consolidated assets of the SLHC on an enterprise-wide basis (where, on an enterprise-wide basis more than 50% of the assets of the Grandfathered SLHC are derived from activities not otherwise permissible under HOLA); or (ii) SLHCs which derive on an enterprise-wide basis more than 50% of their assets on a consolidated basis from the business of insurance (and which are not publicly reporting institutions).

designated ACIA as the entity required to file Schedule HC and permitted this filing to be on a non-consolidated basis with ACG, ACS and other affiliated entities.

As we expressed in our comment letter to the proposed version of the Reporting Release, ACG is the top level holding company for multiple subsidiaries engaged in a variety of businesses and activities. In general, these subsidiaries prepare quarterly financial reports without utilizing generally accepted accounting principles ("GAAP"). This is consistent with historical practice and largely driven by the regulatory requirement that ACIA, a state regulated insurance company, prepare its financial statements in accordance with statutory accounting principles ("SAP"). At present, ACIA has been designated as the Schedule HC reporting entity within the ACG Group and provides its quarterly financials in accordance with SAP.

In 2010 and only after significant effort and expense, ACG prepared annual consolidated GAAP financials for the first time. Because of (i) the need to manually convert certain information from SAP to GAAP basis reporting, and (ii) the challenges of integrating certain recently acquired SAP reporting insurance subsidiaries, the process of automating the financial reporting infrastructure to produce GAAP financials is expected to be lengthy. Even so, ACG is committed to working through these reporting challenges and intends to produce GAAP basis financial statements on a monthly basis effective January 31, 2014.

In the meantime, however, ACG does not have in place a reporting infrastructure capable of generating regular quarterly GAAP financials as required by Form 2320. ACG Group, therefore, recommends that the Board adopt the approach taken by the OTS and permit in certain circumstances a lower level SLHC, such as ACIA, to file the Form 2320 quarterly report.[2]

This approach would allow ACG Group (and similarly situated SLHC structures) to avoid the significant expense necessary to convert ACG's reporting infrastructure on an overly aggressive timeframe (and, in any case, not in time for the March 31, 2012 reporting period). Moreover, given the fact that this approach is consistent with the past regulatory actions of the OTS and would apply to only a small subset of SLHCs (i.e., those SLHCs exempted in the Reporting Release), such an approach would not impair the Board's ability to effectively monitor the safe and sound operations of these institutions.

Conclusion

We appreciate the Board's efforts in working with SLHCs to adopt effective regulations to ensure the safe and sound operations of federal thrifts and their holding companies and we appreciate the opportunity to comment on Form 2320.

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[2] Based on the draft instructions to Form 2320, it appears ACIA would be permitted to continue to report in accordance with SAP.

Please contact the undersigned with any questions about this request at the telephone number or email listed above.

Respectfully submitted,

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