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Via Electronic Transmission – regs.comments@federalreserve.gov

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 – (ICP-201114): Pertaining to Reporting Forms for Savings and Loan Holding Companies (FR Y-6, FR Y-7, FR Y-9 Series Reports)

Dear Ms. Johnson,

On behalf of Mutual of Omaha, I appreciate the opportunity to provide comment in response to the Proposed Agency Information Collection Activities (ICP) referenced above. As a mutual insurer that is also a savings and loan holding company (SLHC), we have numerous concerns about the manner in which the Federal Reserve Board (Board) may exercise its regulatory authority over our institutions. We are particularly concerned about the potential application of bank holding company (BHC) reporting requirements on our insurance company. We offer commentary for your consideration specific to the proposed SLHC transition to BHC reporting forms, excluded SLHCs, and concerns related to filing requirements of the FR Y-9 series of reports.

Background:

On February 3, 2011, the Board sought comment on its notice of intent (NOI) to require SLHCs to submit the same reports as bank holding companies, beginning with the March 31, 2012, reporting period. (See, Docket 2011-2782). After considering the comments received on the NOI, the Board now proposes to exempt a limited number of SLHCs from initial regulatory reporting of the Board's existing regulatory reports and a two-year phase-in period for all other SLHCs. Exempt SLHCs would still continue to submit Schedule HC, which is currently a part of the Thrift Financial Report, and the OTS H-(b)11 Annual/Current Report.

We welcome the revisions made by the Board to the original NOI, but continue to have a number of concerns.

Exempt SLHCs:

The proposed transition to BHC reports provides for an initial exemption for SLHCs in two categories, concluding that it is not reasonable at this time to require standardized regulatory reports from SLHCs falling into these categories. We appreciate the Board's acknowledgement to this end, but believe the current language is deficient and a clarification of the exemption provided for "SLHCs where the top-tier holding company is an insurance company that only prepares SAP financial statements" is necessary.

Using the phrase "only prepares SAP financial statements" is too vague and broad to properly accomplish the purpose of the exemption. Essentially every top-tier holding company that is an insurance company prepares some type of financial statement that is not SAP, even if only on a limited basis, for internal measures or management purposes. However, given the current language of the exemption, we believe simply preparing these financial statements would unintentionally eliminate the ability of such an entity to utilize the exemption. Slightly modifying this language to provide an exemption for "SLHCs where the top-tier holding company is an insurance company that is *only required to file* SAP financial statements" would more accurately reflect the intentions of the exemption.

However, an even more clear and objective standard could be achieved if the exemption language was provided for "SLHCs where the top-tier holding company is an insurance company that is not a reporting company with the SEC".

Even if a company prepares some form of GAAP financial statements, the difference between a full set of GAAP financial statements needed to satisfy the requirements of the BHC reporting forms and preparation of limited GAAP financial statements for management purposes can be enormous. Mutual of Omaha is a good example of an entity that produces GAAP financials on a limited basis but would still be subject to many of the hardships described within the release if we were required to produce the financial information required to complete the FR Y-9 series of reports.

It would be counter-productive to encourage entities to discontinue production of limited GAAP financials in order to fall within the purview of the exemption, as those statements can provide relevant information on which a company may base internal decisions. If we were not allowed to utilize the exemption simply because of the extra efforts to gauge internal measures, entities such as ours would be placed at a significant competitive disadvantage.

The proposal recognizes that SLHCs where the top-tier holding company is an insurance company that is not a reporting company with the SEC are not currently required to produce consolidated financial information. It goes on to state in its final paragraph that if a SLHC is already subject to the rigors of reporting to the SEC, it is already required to prepare GAAP-based financial statements and should be more readily able to report to the Federal Reserve. We believe clarifying this distinction within the exemption creates the most objective standard, would allow for more consistency from a competitive standpoint and marks the most relevant threshold for what certain SLHCs are already required to file.

Phase-In Reporting for Non-Exempt SLHCs:

For all SLHCs that are not excluded from reporting, the Board has outlined a two-year phased-in approach that would begin "no sooner than the March 31, 2012, reporting period". During 2012, SLHCs that are not excluded would be required to submit the FR Y-9 series of reports and one of two year-end annual reports (FR Y-6 or FR Y-7). The proposal provides that SLHCs that must file the FR Y-9C report would not be required to complete Schedule HC-R, Regulatory Capital, until consolidated regulatory capital requirements for SLHCs are established. (See ICP-201114, Footnote 6).

While we appreciate the deferral provided by the Board for the Regulatory Capital portion of FR Y-9C, the substantial amount of work involved in completing the remainder of this form, as well as the other forms within the FR Y-9 series, makes it extremely difficult for entities such as ours to complete within the time provided. A significant amount of information and data currently maintained within the general ledger accounts must now be disaggregated to instrument level details and then re-summarized in accordance with the requirements of the various Federal Reserve reporting forms.

We are also concerned that information provided within the FR Y-9C may be used as the sole, or prominent, means of developing the regulatory capital rules to which SLHCs will be subject. We do not believe the format in which the information must be produced in the FR Y-9C provides an accurate picture for developing capital rules and want to ensure it will not be a determinative factor. As has been stated in prior comments to the Board, it is inappropriate to apply existing bank holding company capital rules and standards on life insurance companies that hold a thrift within their corporate structure. We believe that any such standards intended to be applied to an insurer that is also a SLHC must be tailored to appropriately reflect the fundamental business differences between insurance and banking and will continue to work with the Board to meet that standard.

We believe the deadline for filing the entire FR Y-9C report (and accordingly, the FR Y-9 series of reports) should be delayed until the regulatory capital requirements for SLHCs are established, or at least no sooner than December 31, 2012, in order to meet the burden of preparing the information and to ensure proper development of the regulatory capital rules to which SLHCs are subject.

Additional Concerns:

Certain holding company reporting requirements present significant data availability issues for holding companies that are insurers because the frequency of reporting is not currently captured by existing computer systems due to different business requirements. Specifically, the FR Y-9C schedule HC-K *Quarterly Averages* requires a bank holding company to report certain balance sheet accounts, primarily financial assets and liabilities and equity capital, at their average balances during the quarter, calculated as either an average of daily end-of-day balances or an average of the close of business balance on each Wednesday during the quarter.

Insurance company systems are designed to report on a quarterly basis because the calculation of insurance liabilities cannot be readily calculated on a more frequent basis. As a result, for most accounts, including investment accounts, general ledger entries are only posted at the end of the month while entries related to changes in insurance reserves are only posted at the end of the quarter. Actual activity for investments, including commercial mortgage loans held by the insurance company, which occurs on a more frequent basis than monthly, is accumulated in subsidiary systems and posted to the general ledger at the end of the month. Those systems, however, are not designed to track daily balances and cannot easily provide the information that would be necessary to manually calculate daily end-of-day balances and averages of those end-of-day balances. To report averages as currently required by the HC-K would require extremely costly system changes. However, even if such changes were made, we cannot conceive of a more reasonable way to calculate a daily average for equity. It is not practical to calculate insurance reserves on a more frequent basis than quarterly and the changes in those reserves represent a significant component of net income, so average equity is materially affected by the frequency with which reserves are calculated. Essentially, even if we incurred the significant time and expense necessary to change systems to accommodate this data requirement, average equity would still largely be calculated on a quarterly basis because of the insurance reserve calculation limitation.

As such, we ask that the Federal Reserve make the necessary changes, particularly to schedule HC-K, to accommodate this fundamental calculation.

Conclusion:

For the foregoing reasons, we respectfully request the appropriate clarification for exempted SLHCs, additional time for filing the FR Y-9 series of reports and the accommodations necessary for SLHCs to report average balances on a quarterly basis.

Once again, we appreciate the opportunity to comment on this very important issue and are available for further discussion at your convenience. Thank you for your consideration.

Respectfully submitted,

David A. Diamond
EVP, CFO & Treasurer
Mutual of Omaha