



Julie A. Spiezo
Senior Vice President, Insurance Regulation & Deputy General Counsel
(202) 624-2194 t (866) 953-4083 f
juliespiezo@acll.com

January 14, 2013

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street & Constitution Ave., NW
Washington, DC 20551

Re: Policy Statement on the Scenario Design Framework for Stress Testing (Regulation YY; FRS Docket No. OP-1452 & RIN 7100-AD-86)

Dear Chairman Bernanke:

These comments are submitted on behalf of the American Council of Life Insurers (the “ACLI”). The ACLI is a national trade association with over 300 member companies representing more than 90 percent of the assets and premiums of the life insurance and annuity industry in the U.S. We appreciate the opportunity to submit comments on the Board’s policy statement on the scenario design framework for stress testing (the “Policy Statement”).¹

We have concerns with the Policy Statement to the extent the contemplated stress testing framework is applied to a life insurance enterprise that is designated as a systemically significant non-bank financial company by the Financial Stability Oversight Council (FSOC).² Our concerns mirror those raised in our April 25, 2012 letter to the Board responding to the proposed rulemaking on enhanced prudential standards and early remediation requirements under Title I of the Dodd-Frank Act.³ Just as is the case with that proposed rule, the Policy Statement appears to envision that a Nonbank Covered Company will be subject to a stress testing regime identical to that applied by the Board to bank holding companies with \$50 billion or more in total consolidated assets. (BHCs). As we have commented on previous occasions, we believe the Board should tailor any stress testing requirements in recognition of the significant differences between Large BHCs and Nonbank Covered Companies.

We believe the baseline, adverse, and severely adverse economic scenarios contemplated by the Policy Statement must account for the different types of risks that Nonbank Covered Companies face. As we have commented before, insurance companies face risks that are in many instances unique to their business model.⁴ To account for these risks, any stress testing regime for a Nonbank Covered Company

¹ Policy Statement on the Scenario Design Framework for Stress Testing, 77 Fed. Reg. 70124 (Nov. 23, 2012).

² Although the issue is not specifically raised in the policy statement, we have similar concerns should the Board consider applying the stress testing framework as outlined in the Policy Statement to any savings and loan holding company (SLHC) that is primarily a life insurance enterprise.

³ See, Letter from the ACLI to the Board (April 25, 2012), available at: http://www.federalreserve.gov/SECRS/2012/May/20120518/R-1438/R-1438_042512_107212_504336335598_1.pdf

⁴ See, e.g., Letter from the ACLI, to the Board (May 20, 2011), available at http://www.federalreserve.gov/SECRS/2011/May/20110523/OP-1416/OP-1416_052011_71615_425273793596_1.pdf; Letter from the ACLI, to the Agencies (July 28, 2011); available at http://www.federalreserve.gov/SECRS/2011/July/20110729/OP-1421/OP-1421_072811_84757_534004371354_1.pdf; Letter from the ACLI, to the Board (July 28, 2011), available at http://www.federalreserve.gov/SECRS/2011/August/20110810/R-1425/R-1425_072811_84757_534004371354_1.pdf

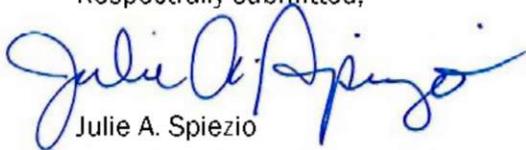
should incorporate risks that actually impact the Nonbank Covered Company. Stress testing scenarios for Nonbank Covered Companies should similarly de-emphasize shocks arising from traditional banking activities, as risks arising from traditional banking activities such as commercial and consumer lending are likely to be of comparatively less importance to these companies.

In addition, we again raise the concern that public disclosure of a Nonbank Covered Company's stress test results could create additional problems that may not arise from disclosure of a BHC's stress test results. The marketplace has familiarity with and thus will be better able to interpret a BHC's stress test results. By contrast, it is unclear whether disclosure of a Nonbank Covered Company's stress test results would provide the marketplace with useful information concerning a Company's overall risk profile or response to stressed conditions. The Board should be cautious in assuming that public disclosure of a Nonbank Covered Company's stress test results will provide the same benefit as public disclosure of a BHC's stress test results.

Conclusion

We thank the Board in advance for its serious consideration of our views. We are available for further discussion on this matter at your convenience.

Respectfully submitted,



Julie A. Spiezio

CC: Andreas Lehnert, Deputy Director
Tim Clark, Senior Associate Director
Board of Governors of the Federal Reserve System
20th St. & Constitution Ave, NW, Washington, DC 20551