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Janet L. Yellen  
Chair  
Board of Governors of the Federal Reserve System  
20th Street & Constitution Ave., NW  
Washington, DC 20551

**Re: Proposed Order on Application of Enhanced Prudential Standards and Reporting Requirements to General Electric Capital Corporation (Docket No. R-1503)**

Dear Chair Yellen:

These comments are submitted on behalf of the American Council of Life Insurers (the "ACLI"). The ACLI is a national trade association with 284 member companies representing more than 90 percent of the assets and premiums of the life insurance and annuity industry in the United States. We appreciate the opportunity to respond to the Federal Reserve Board's (the "FRB") proposed order on application of enhanced prudential standards and reporting requirements to General Electric Capital Corp. (Docket No. R-1503).

We write to express the life insurance industry's concerns raised by the FRB's Proposed Order (the "Proposed Order") applying enhanced prudential standards and reporting requirements to General Electric Capital Corporation ("GECC"). We have insufficient knowledge regarding GECC's structure, risk profile, or activities to express an informed opinion regarding whether it is appropriate to apply to GECC enhanced prudential standards that are virtually identical to those for large bank holding companies. We recognize that in proposing to impose such standards on GECC, the FRB relied on the substantial similarity of GECC's financial structure and risk profile to bank holding companies of comparable size.

The business of life insurance, however, is substantially different from banking, and the standards for banks and bank holding companies should not be applied by the FRB to the insurance entities it oversees. The recent enactment of the Insurance Capital Standards Clarification Act of 2014, which was unanimously approved by both houses of Congress, is an emphatic statement that the innate differences between the banking and insurance industries should be appropriately addressed in regulations developed by the FRB.<sup>1</sup> It is imperative that the FRB recognize these significant differences whenever it considers regulatory actions, similar to that being directed towards GECC in this proposed order, that will affect life insurance entities under its jurisdiction.

We therefore urge the FRB to develop any enhanced prudential standards to be imposed on insurance groups designated for supervision by the FRB through a careful assessment of the insurance business model and with recognition that existing prudential standards developed for banking institutions are not a fit for insurance. It is clear that the Dodd-Frank Act requires appropriate adaptation of any enhanced

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<sup>1</sup> PL 113-279, December 18, 2014.

prudential standards for insurance groups designated for supervision by the FRB.<sup>2</sup> Given the substantial differences between banking and insurance, a formal rulemaking must be used rather than a proposed order. A rulemaking will ensure that the FRB receives comments from the widest range of interested parties, and will enhance the transparency of the process. Any prudential standards that are made generally applicable to designated insurance companies through notice and comment rule-making can be further tailored for specific businesses by order of the FRB if needed.

We also urge that, in any application of enhanced prudential standards to insurance companies, a reasonable time be provided for the affected companies to build the systems and compliance infrastructure that would enable their compliance. We note that the Proposed Order sets July 1, 2015 as the compliance date for many of the enhanced standards and reporting requirements for GECC, leaving very little time for GECC to put in place the systems and procedures to comply with the provisions of the Proposed Order. We are concerned that such a short period of time, should it be provided for insurance companies subject to new prudential standards, would be inadequate to build the new systems and infrastructure that the standards are likely to require. We respectfully urge the FRB, in consultation with knowledgeable professionals and the companies themselves, to develop reasonable transition timelines as newly developed standards are applied to insurance companies for the first time.

We thank the FRB for considering our views. We are available for further discussion on this matter at your convenience.

Respectfully submitted,



Julie A. Spiezio

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<sup>2</sup> Section 165 of the Dodd-Frank Act anticipated and requires such specific adaptation:

In prescribing prudential standards under (1), the Board of Governors shall take into account differences among nonbank financial companies supervised by the Board of Governors and bank holding companies described in subsection (a), based on

- (i) the factors described in subsections (a) and (b) of section 113,
- (ii) whether the company owns an insured depository institution,
- (iii) nonfinancial activities and affiliations of the company; and
- (iv) any other risk-related factors that the Board of Governors determines appropriate... and adapt the required standards as appropriate in light of any predominant line of business of such company, including assets under management or other activities for which particular standards may not be appropriate. DFA 165(b)(3)(A) and (D).