TRANSAMERICA

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Mr. Robert de V. Frierson
Secretary
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Capital Requirements for Supervised Institutions Significantly Engaged in Insurance Activities, RIN 7100-AE 53, Docket No. R-1539

Dear Mr. Frierson:

Transamerica Corporation ("Transamerica") welcomes the opportunity to respond to the Federal Reserve Board's (the "Federal Reserve") advance notice of proposed rulemaking ("ANPR") on capital requirements for supervised institutions significantly engaged in insurance activities. Transamerica is a subsidiary of Netherlands-based Aegon N.V. ("Aegon") and is the primary brand under which Aegon conducts business in the United States. Transamerica represents well in excess of 50% of Aegon's global operations. The Transamerica companies market life insurance, annuities, pensions and supplemental health insurance, as welt as mutual funds and related investment products. Transamerica serves more than seven million policyholders, distributes its products through approximately 280,000 agents and brokers, ranks among the top life insurance groups in the U.S. based on admitted assets, and employs over 12,000 people.

Although Transamerica is not supervised by the Federal Reserve, it has a direct interest in the ANPR due to the influence that such standards will potentially have on the evolving tapestry of capital standards under development across the globe, most notably at the IAIS. Based on the considerable thought and analysis that the Federal Reserve put into the development of the ANPR, Transamerica would urge the Federal Reserve to similarly advocate on the international stage for capital standards that: (a) share desirable attributes of the standards proposed in the ANPR; (b) promote a level, competitive playing field for all insurers operating in each market;

and (c) do not discourage companies from providing products that help customers achieve financial and retirement security.

Transamerica acknowledges and appreciates the effort the Federal Reserve has made to understand the unique characteristics of the insurance industry. Several of the desirable attributes of the group capital standards proposed in the ANPR are:

- ***Tailored for the insurance industry.*** Insurance differs from other financial services sectors due to the variety of risks that insurance enterprises assume. It would be inappropriate to apply banking standards to insurance operations.

- ***Accommodating the long-term nature of life insurance business.*** We consider this to be of paramount importance relative to the role that life insurance companies play in the broader economy. In the event of a stress situation, life insurance companies are typically not forced to liquidate assets to pay claims. A regulatory solvency framework should therefore recognize the relatively illiquid nature of insurance liabilities. Historically, stable solvency frameworks have allowed life insurance companies to operate in a countercyclical manner, providing significant macroeconomic benefit.

- ***Leveraging existing accounting standards and capital frameworks.*** We support the concept that new capital standards should seek to leverage existing standards to the greatest extent possible. Restatements should be limited to accounting mismatches (market vs. book), coverage gaps, or double-counting. Multiple and duplicative frameworks inevitably create inefficiencies and risk management compromises that harm both companies and consumers.

- ***Accommodating idiosyncratic features of local insurance products.*** We note that U.S. GAAP accounting and the U.S. statutory framework have been modified over time to recognize the evolution of products that are commonly sold in the U.S. market. Some of these products, including many forms of annuities, are much more common in the U.S. than in other jurisdictions.

We support the proposals in the ANPR to the extent they reflect these attributes, and we encourage the Federal Reserve to advocate at the IAIS for international standards that have similar characteristics to the ANPR. We remain very concerned that, unlike that of the Federal Reserve, the lAIS's approach to capital standard development does not fully take into consideration either the unique product characteristics of life insurance or the distinctive regulatory and accounting environment that exists in the U.S. IAIS proposals may also foster high levels of pro-cyclicality and could adversely impact the availability of retirement products in aging societies.

Consequently, absent the Federal Reserve's strong advocacy for the principles underlying the ANPR, the lAIS's process may result in capital standards that are inconsistent with the ANPR, possibly creating an un-level global competitive playing field. Insurers serving the U.S. market have a variety of structures, including insurers with a non-U.S. parent. Consumers benefit from strong and fair competition among insurance providers. Capital standards should avoid creating conditions where consumer choice is reduced because certain classes of insurers are, in practice, unable to compete in certain market segments due to regulatory solvency requirements.

We thank the Board for the opportunity to provide input and for considering our comments.

Sincerely,

Jay Orlandi
Executive Vice President
General Counsel & Secretary