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January 22, 2020

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Ave., NW
Washington, DC 20551
E-mail: regs.comments@federalreserve.gov

Re: Regulatory Capital Rules: Risk-Based Capital Requirements for Depository Institution Holding Companies Significantly Engaged in Insurance Activities

Docket No. R-1673 and RIN 7100-AF 56

Dear Ms. Misback:

The National Association of Mutual Insurance Companies ("NAMIC")[1] appreciates the opportunity to comment on the Federal Reserve Board ("FRB") Notice of Proposed Rulemaking ("NPR") entitled "Regulatory Capital Rules: Risk-Based Capital Requirements for Depository Institution Holding Companies Significantly Engaged in Insurance Activities." This NPR represents the second step following an Advanced Notice of Proposed Rulemaking ("ANPR") where the FRB first laid out a capital framework called the building block approach ("BBA") for insurance depository institution holding companies. Most of the insurance-led depository institution holding companies under the supervision of the FRB are members of NAMIC, and they would be directly subject to the NPR proposal on risk-based capital requirements for depository institution holding companies significantly engaged in insurance activities.

In general, NAMIC is supportive of many of the components and features from the proposal, including the proposed BBA and commends the FRB for developing an approach that leverages existing state-based statutory accounting and legal entity capital requirements that are specifically designed for insurance companies. In addition, NAMIC is appreciative of the FRB's efforts to tailor their approach to the insurance business model and note that this reflects Congress's original intent in the

[1] NAMIC membership includes more than 1,400 member companies. The association supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC member companies write $268 billion in annual premiums. Our members account for 59 percent of homeowners, 46 percent of automobile, and 29 percent of the business insurance markets. Through our advocacy programs we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

passing of the Dodd/Frank Wall Street Reform and Consumer Protection Act of 2010 ("DFA"), which was subsequently validated through the enactment of the Insurance Capital Standards Clarification Act of 2014 ("ICSCA"). Further, NAMIC acknowledges that the BBA has many like characteristics to the capital tool being developed by the NAIC, better known as the Group Capital Calculation ("GCC") and that both approaches aggregate capital up to the parent level of the holding company. These approaches are similar to the current RBC framework for insurers, and when the insurer is the parent of the holding company, the capital is similarly aggregated up to the parent level. Having very similar models that produce equal or near equal results will be a valuable tool to further the U.S. position as the International Association of Insurance Supervisors (IAIS) considers changes to the insurance capital standard under development and whether ultimately, they recognize the use of an aggregation method as a jurisdictional alternative.

NAMIC is also pleased with the deliberative and transparent approach taken by the FRB with both the ANPR and this NPR. This approach is preferred in rulemaking as the details of the actual formula, the capital required, and capital resources available will require input from insurers with varying corporate structures. As is always true in complex financial rulemaking, the details are critical. We are appreciative that our U.S. regulators provide interested parties with the opportunity to provide such comments as our regulators work through the process. This collaborative approach is one of the hallmarks of our system and we salute the FRB for taking the lead on a national level by providing transparency in rulemaking.

The intention of our comments on behalf of our membership are to be constructive and to assist the FRB in understanding our position on the various details of the proposal. In addition, we propose some suggestions for consideration and recommend some revisions and clarifications in an effort to advance the rulemaking process. We are always willing to answer questions and discuss concerns with representatives from the FRB if a dialogue would be useful.

I. Introduction

NAMIC supports the overall direction taken by the FRB as proposed in the NPR regarding capital requirements for insurers under their supervision. The proposed BBA reflects the FRB's insight into the differences between insurance Savings and Loan Holding Companies ("SLHC") and other depository institution holding companies. Section 171 of the DFA – also commonly referred to as the 'Collins Amendment – requires minimum capital rules for SLHCs and authorizes the FRB to utilize existing state risk-based capital standards to satisfy this minimum capital requirement. However, the incorporation of the ICSCA further clarified this understanding to explicitly state that the FRB should treat insurance companies differently, including deferring to the existing state regulatory capital framework. Moreover, the BBA leverages state statutory accounting principles ("SAP") and risk-based capital ("RBC") requirements which is also reflective of congressional intent. Congress' decision to validate the sufficiency of SAP financial statements and RBC requirements was memorialized in a provision[2] in

[2] *"12 USC § 5371"*
(c) Clarification.

the ICSCA, thereby satisfying any federally established capital standard including Section 171 of the DFA.

The DFA and subsequent ICSCA provide the foundation to the BBA and the legal authority for the FRB to address the differences between insurance SLHCs and other depository institution holding companies. The FRB decision to pursue a capital structure based on aggregating state insurance regulatory capital requirements is consistent with the limitations of federal law. Furthermore, the reliance on SAP statements and the underlying RBC requirements reflects the legal entity approach to state insurance regulation and in effect allows for insurance RBC to serve as a proxy for consolidation, an important element when considering comparability to other capital frameworks. In some circumstances it would be acceptable for the FRB to accept the RBC of an insurer parent led SLHC when such insurer is regulated at the legal entity level, as are most of the members of NAMIC.

NAMIC has carefully considered the proposed BBA in consultation with members and had many discussions about the intricate details in the proposal. The following boils down the principle thoughts and observations we have gathered from members, of which will be discussed in more detail throughout the remainder of the letter.

1. The BBA reflects congressional intent and existing statutory authority and is effective in leveraging state laws and regulations;
2. Tailoring capital and solvency regulation to the insurance business model is critical to preserving an efficient well-functioning market and to not unintentionally create a competitive disadvantage for insurance led SHLCs;
3. The BBA should be flexible and the FRB's rulemaking process should incorporate additional aspects of state law and supervisory regulation to meet the varied organizational structures and business of insurance;
4. The proposed rule uses an aggregation approach to determine capital and required capital and is similar to the GCC being developed by the NAIC; both approaches will serve as sound alternatives to the Insurance Capital Standard currently being field-tested by the IAIS;
5. Since both the proposed rule and GCC use an aggregation approach to determine capital and required capital, in some insurance led SLHCs, the RBC provides sufficient capital requirements and intervention points; and
6. The capital conservation buffer is not aligned with existing state and federal laws and will be challenging to implement without invoking the dangerous idea that capital is freely fungible and can be used as source of strength for the group.

1. Section 171 Compliance and Congressional Intent

The BBA reflects congressional intent and existing statutory authority and is effective in leveraging state laws and regulations.

A) In general.–A depository institution holding company or nonbank financial company supervised by the Board of Governors of the Federal Reserve that is also a person regulated by a State insurance regulator that is engaged in the business of insurance that files financial statements with a State insurance regulator or the National Association of Insurance Commissioners utilizing only Statutory Accounting Principles in accordance with State law, shall not be required by the Board under the authority of this section or the authority of the Home Owners' Loan Act to prepare such financial statements in accordance with Generally Accepted Accounting Principles.

NAMIC appreciates the thoughtful consideration the FRB has given to incorporating Section 171 guidance into the proposed rule, a rule that ultimately excludes insurance assets and liabilities from the capital calculations and allows for the FRB to be in compliance with the law. For a top-tier SLHC that is an insurance company, it and its insurance subsidiaries automatically would be excluded from the Section 171 calculation, and for a top-tier SLHC that is not an insurance company, the FRB has proposed two options to exclude the insurance assets and liabilities from the Section 171 calculation. NAMIC appreciates the deliberative approach taken by the FRB to propose a rule that is flexible enough to take into account the various organizational structures of SLHCs.

Despite the fundamental changes that DFA brought about for SLHCs, including insurance SLHCs, as originally enacted, Section 171 authorized the FRB to utilize existing state risk-based capital standards to satisfy their mandate to apply minimum capital requirements to SLHCs under their supervision. Any doubt over Congress' original intent was addressed in the ICSCA that explicitly prohibited SLHCs from having to utilize Generally Accepted Accounting Principles financial statements if the SLHC only prepares financial statements using SAP. NAMIC appreciates the FRB's consideration of the state-based system and for creating a rule that leverages state accounting and RBC requirements. NAMIC is a strong supporter of the state-based system of insurance regulation and has been vigilant to fight off attempts to repeal the McCarran-Ferguson Act ("MFA") over the years, including during the financial crisis when elements of what would eventually become DFA were first being deliberated. Each time MFA is upheld by Congress, state regulation of insurance remains the principal regulatory standard for the industry, even for federally supervised insurers. The proposed rule does a good job to uphold and mirror the preeminence of state-based insurance regulation.

Section 171 of the DFA requires minimum capital rules for SLHCs and authorizes the FRB to utilize existing state risk-based capital standards to satisfy this minimum capital requirement. Consequently, SLHCs that are significantly engaged in insurance underwriting are currently the only IDIHCs subject to the proposed rule. Section 171(c) of DFA provides that the FRB is not required to include for any purpose of section 171 any entity regulated by a state insurance regulator. Our reading of the proposal settles on the interpretation that FRB's banking capital rule would apply to a top-tier SLHC that is significantly engaged in insurance activities in situations where an insurance SLHC's subsidiary SLHC is not itself an insurance underwriting company and is not a subsidiary of any SLHC other than the insurance SLHC. The NPR refers to these holding companies as "insurance SLHC mid-tier holding companies." Our interpretation of the proposed rule focuses on the discussion around this term, "insurance SLHC mid-tier holding companies." Since Congress established that insurance assets and liabilities be excluded from the capital calculations, the term "insurance SLHC mid-tier holding company" represents the thrift or SLHC that would be subject to the FRB's banking capital rule, whereas, the top-tier insurance SLHC (and all affiliates that roll up to this level) would be subject to state-based insurance RBC. To say it another way, for a top-tier insurance SLHC parent, the FRB would use the RBC for that insurer parent to satisfy the minimum capital requirement.

2. Tailoring Capital and Solvency Regulation to the Insurance Business

Tailoring capital and solvency regulation to the insurance business model is critical to preserving an efficient well-functioning market. NAMIC applauds the FRB for its' significant efforts to develop an appropriate and effective capital framework for insurers under its' supervision. It is important to recognize that the regulation of capital must be tailored to the business model and risks of the supervised company, and the BBA does a good job at accomplishing this through the leveraging of existing capital frameworks. It is evident that a lot of time and thoughtful reflection was dedicated to producing the proposed rule and NAMIC appreciates these efforts.

The utilization of an aggregation method and the identification of building block companies and building block parents is the right approach when considering the legal-entity framework to insurance regulation. It allows for the determination of applicable capital frameworks to be a simple and straight forward process. This is another example of how the BBA leverages existing state laws and regulations. Further an aggregation method like the BBA is similar to the GCC tool being developed by the NAIC and will be useful when comparing to other jurisdictional methods such as the IAIS' ICS. The process laid out in the proposed rule to determining required capital and available capital and the method for rolling up each value from downstream building block parents into upstream building block parents works in the same manner as current RBC. NAMIC members appreciate the similarities to what insurance companies already do today. This could reduce implementation costs and streamline the process and, in some cases, given that RBC is the same methodology could satisfy the BBA.

While SLHCs that are significantly engaged in insurance underwriting are currently the only IDIHCs subject to the proposed rule, participants in this segment of the market are wide-ranging and diverse from the standpoint of the types of products offered to how they are organizationally structured. Given the differences in the groups that make up this segment of the market, the BBA is less reflective of this diversity, as the FRB has provided little flexibility or options to comply with the proposed rule. Consequently, other IDIHCs such as bank holding companies are afforded optionality, such as the two proposed approaches for eliminating insurance assets and liabilities from the Section 171 calculation. NAMIC believes the FRB can go further to tailor their capital approach to the insurance business model, but more on this subject will be addressed in detail in the next section.

3. Incorporating Additional State Laws and Regulations into the Rulemaking Process

The BBA should be flexible and the FRB's rulemaking process should incorporate additional aspects of state law and supervisory regulation to meet the varied organizational structures and business of insurance. There are many state laws and regulations on the books that were designed to oversee the solvency of an insurer or insurance group, and these NAIC model laws and regulations have undergone recent revisions to address group supervision and holding company analysis. NAMIC members are very appreciative that the BBA approach leverages existing state accounting and RBC rules; however, there are certain aspects of the BBA that don't align with state insurance laws and regulations. A comprehensive review of other state solvency tools and a look at what is already being done by state regulators charged with monitoring the solvency of the holding company would help improve the rulemaking process. In particular, the NAIC Insurance Holding Company System Regulatory Act (#440) and Insurance Holding Company System Model Regulation (#450) gives state regulators the authority to access the books and records of an insurer or its affiliates. Additional analysis of other NAIC model laws and regulations would help to address the concerns around proposed adjustments to state approved permitted and prescribed accounting practices and the limitations on surplus notes and senior debt included in the calculation of the BBA ratio[3]. Further analysis of state financial examination laws would provide additional insight into the comprehensive prudential oversight currently undertaken by state insurance regulators.

We recommend that existing insurance regulatory solvency tools such as the NAIC Holding Company Act ("HCA") be further reviewed by the FRB as the rule-making process continues. Insurance holding company laws and investment laws put significant limitations on what types of transactions an insurer can engage in or what types of investments an insurer can invest in, providing substantial regulatory scrutiny over the operations of an insurance holding company. All material affiliate transactions within the group, including surplus notes, must receive prior regulatory review and are subject to disapproval. Further, the state insurance commissioner has the authority to access the books and records of an insurer or its affiliates and if they cannot be produced, the commissioner may require the insurer to pay a penalty or suspend or revoke the insurer's license.

To fully incorporate state law and congressional intent, the BBA needs to be more flexible in what data they collect from the insurance operations. Some of the information that is to be gathered through the inventory method, particularly as it relates to Schedule BA assets goes beyond what is required by state law and involves additional data elements than what is currently reported on the NAIC annual statement without adding to the overall calculation under the BBA. NAMIC is concerned that this oversteps the FRB authority and would lead to increased regulatory costs and burdens ultimately impacting policyholders. We recommend the BBA be modified to collect only data elements essential for calculating the BBA. As such, NAMIC understands it may be reasonable, for purposes of collecting information on nonbank subsidiaries, to establish a threshold of at least $250 million in assets before requiring an IDIHC to provide asset and liability information on a non-bank subsidiary that is not otherwise required on the NAIC Schedule Y, FR Y-6 and FR Y-10 forms.[4] Requiring a company under this size to report this information would be burdensome and could not reasonably be considered essential to the overall risk profile of the IDIHC.

In addition to reporting data elements beyond what is imposed on the annual statement, the BBA also restricts state-approved permitted and prescribed accounting practices and puts limitations on surplus notes to be included as available capital. NAMIC recommends that if permitted practices are not included that there only be minimal eliminations and adjustments from state RBC requirements and state admitted capital and limited adjustments to affiliate holdings and inter-company transactions[5]. In our estimation, capital should only be counted once as available capital and certain transactions such as surplus notes and senior debt should not be risk-charged twice in the aggregation of required capital. This is consistent with policyholder protection and would be in compliance with federal laws; therefore, we recommend no adjustments to permitted and prescribed accounting practices and no limitations be placed on capital resources such as

[3] NAIC Accounting Practices and Procedures Manual

[4] This is similar to the threshold already employed by the FRB to identify companies required to file the FR Y-11S.

[5] The FRB could differentiate between types of permitted practices such that the BBA only accepts those permitted when there is no other legal way for the transaction to occur and the transaction itself is legal.

surplus notes and senior debt as available capital.

Finally, state examination laws provide guidance to state regulators to perform comprehensive on-site financial examinations every three to five years. These exams cover all subsidiaries for the holding company if the holding company is an insurance company. Similarly, these groups undergo annual independent CPA audits, opinions on insurance reserves by qualified actuaries, annual financial statement analysis, Own Risk and Solvency Assessment filings, Corporate Governance Annual Disclosures, and are subject to other financial regulatory tools designed to assess the financial solvency and condition of an insurance group such as through the Supervisory College process. The combination of direct state regulation of specific insurance operations and insurance holding company analysis performed by state regulators provides a robust regulatory environment that allows for the operations of the enterprise to be transparent to regulators at the federal and state level.

4. An Approach to Comparing Different Group Capital Regimes

The proposed rule utilizes an aggregation approach to determine capital and required capital and is similar to the GCC being developed by the NAIC; both approaches will serve as sound alternatives to the Insurance Capital Standard currently being field-tested by the IAIS. Critically important to the U.S. is a unified approach to group capital and the U.S. is in a good position if both the BBA and NAIC GCC aggregation approaches remain similar in design. If that is the case, the U.S. approach should be deemed equivalent to the ICS currently being field-tested.

The ICS framework is unlike the BBA in two significant ways: first it is a consolidated, top-down approach to group capital, and second, it is fundamentally different in how its measurement and valuation attributes are considered. The market-adjusted valuation approach ("MAV") is the valuation basis for the ICS and will not work in the U.S. for a whole host of reasons. For example, there would be significant costs incurred to convert from a SAP/GAAP valuation basis to a MAV valuation basis, an approach that ultimately leads to increased volatility in financial statements. NAMIC members are appreciative of the FRB for producing an aggregation method that utilizes SAP and GAAP financial statements as the basis of the framework.

While it may be challenging to compare capital formulas from different regimes – given differences in accounting frameworks and opposing philosophies utilized (top-down versus bottom-up) – it may be best to focus on the outcomes produced by each formula and the jurisdiction(s) where the holding company resides to better understand how to compare regimes. Equally important in this assessment is to look at the different solvency regulation tools in use by the individual jurisdictions. The following are various regulatory tools that have been adopted by jurisdictions and are not meant to necessarily come together and create a mechanism to assess regimes. Rather, they are meant to elucidate how similar concepts have been incorporated differently into the various jurisdictions and provide a forum to compare those differences and the outcomes they produce. NAMIC views these alternative approaches to concepts like group supervision, enterprise risk reporting, and accounting and risk-based capital methods as resulting in a healthy and diverse regulatory environment.

In addition to the development of group capital models, jurisdictions around the globe have adopted new regulatory tools to address group supervision. In the U.S., changes were made to the HCA to incorporate group supervisory language that would give insurance commissioners the authority to act as a group-wide supervisor for an internationally active insurance group ("IAIG"). If deemed to be a supervisor of an IAIG, the commissioner has authority to assess the enterprise risks within the IAIG and request from any member of the IAIG information necessary and appropriate to assess governance, capital adequacy, and material intercompany transactions. These standards are consistent to group-wide supervisory standards adopted by the IAIS and demonstrates how state, federal, and international regulatory agencies can work together to provide appropriate oversight of IAIGs.

Another concept widely adopted that was implemented differently across the globe is related to enterprise risk reporting. In the U.S., states have adopted enterprise risk reporting requirements, known as the NAIC Own Risk and Solvency Assessment, that require detailed internal assessments of current and prospective risks posed to the insurance group and a group assessment of risk capital to be disclosed in an annual report; ultimately these reports assist the commissioner in determining the scope, depth, and planning of risk-focused analysis and examination procedures. In addition to providing regulators with a comprehensive view of a groups' enterprise risk management framework, U.S. ORSAs also include economic capital modeling, stress testing, and capital adequacy assessments. The NAIC incorporated the ORSA concept from the IAIS who has embedded the solvency concept into the Insurance Core Principles. Solvency II, an EU legislative program implemented in all 28 EU member states, including the U.K., also includes an ORSA standard. While similar concepts, each of the programs are different and apply to different regimes and should be considered in any comparative analysis of insurance capital frameworks.

As alluded to earlier, U.S. RBC for a top-tier insurance underwriting holding company is a proxy for consolidation. NAMIC agrees with the FRB's view that an aggregation approach is a means of achieving consolidation; therefore, in our estimation the U.S. aggregation approach should be comparable to the IAIS' ICS, taking into context the differences in accounting and legal frameworks. The NAIC GCC is built off the RBC framework; accordingly, it works in a very similar fashion. For a top-tier insurance underwriting holding company, all the activities and investments made, including in any subsidiary insurers are rolled up into the parent's insurance RBC calculation. This concept of "rolling-up" RBC to the parent is a key mechanical element of the U.S. RBC framework. The mechanics of calculating the parent insurer RBC involves an RBC calculation by each legal insurance entity, followed by the parent company multiplying its percentage of ownership in the subsidiary by the subsidiary's Company Action Level RBC. The existing insurance RBC formula already incorporates necessary adjustments for inter-affiliate transactions, such as capital invested in a subsidiary by the parent; thus, the top-tier insurance underwriting holding company RBC is, in effect a consolidated view of the group's capital position.

5. RBC Satisfies the BBA Standard

Since both the proposed rule and GCC use an aggregation approach to determine capital and required capital, in some insurance-led SLHCs, the RBC provides sufficient capital requirements and intervention points. Some NAMIC members participated in both the GCC field-testing exercise and the FRB QIS to test and help develop the correspondingly similar calculations. As previously stated, Congress established that insurance assets and liabilities be excluded from any capital calculation. Further, NAMIC's interpretation of the proposed rule focused on the term "insurance SLHC mid-tier holding company" representing the thrift or SLHC that would be subject to the FRB's banking capital rule, whereas, the top-tier insurance SLHC (and all affiliates that roll up to this level) would be subject to state-based insurance RBC. NAMIC understands that diverse organizational structures exist, even between insurance-led SHLCs; however, situations where the results of RBC and the expected results of the BBA are not significantly different, the FRB should accept RBC in lieu of a completed BBA calculation.

The FRB, as noted previously, should defer to the existing state-based regulatory framework and the BBA should be satisfied without any separate calculation under Section 171 for insurance businesses. Today the FRB has access to an unprecedented amount of solvency information through the various state-based regulatory tools such as the ORSA and audited financial statements, which result in additional requirements being duplicative. NAMIC members who participated in the QIS that are top-tier insurance SLHCs that are predominately insurance business-based have shown that the BBA has not provided the FRB with additional demonstrable insight into the solvency of the SLHC. Therefore, the FRB should allow for flexibility in the acceptance of the RBC in these situations.

6.. The Minimum BBA Ratio and Conservation Buffer

A minimum BBA ratio of 250% was chosen by the FRB which is the midpoint between two NAIC regulatory intervention levels, Company Action Level ("CAL") of 200% and Trend Test Level of 300%. In addition to the BBA ratio of 250%, the proposed rule also includes a capital conservation buffer that is 235% on top of the BBA ratio, meaning the actual total capital requirement is 485%. Impacted companies would need to keep their BBA ratio above 485% to avoid limitations on capital distributions and discretionary bonus payments to executive officers.

NAMIC has significant concerns with the proposed buffer and other elements of the BBA ratio. The application of the buffer will only impact a small sample of diverse insurance groups; nevertheless, it would put those firms in a disadvantageous position against their non-SLHC-owning competitors. As a result, they would be forced to set aside additional capital above and beyond what is required by state insurance laws. Furthermore, it is not clear how the buffer will be implemented and what will occur if a group trends below the 485% level. State insurance regulators are limited in what they can do when companies negatively trend towards CAL, but when a regulatory action level event has occurred, the local regulator has statutory authority to take action upon an individual member of the group, including placing the company under regulatory control. Moreover, the proposed rule discusses how the buffer has been adapted to tailor the FRB's banking capital rule to the insurance business model, including broadening the definition of distributions to include, "discretionary dividends on participating insurance policies because, for mutual insurance companies, these payments are the equivalent of stock dividends." NAMIC fundamentally disagrees with this statement; consequently, we do not consider a return of premium from a mutual insurance company to their policyholders the same as a return on capital and certainly not as a discretionary dividend.

Unless the FRB has established that existing state regulatory capital requirements are insufficient or should not be relied upon, NAMIC recommends that the FRB fully incorporate all existing state-based insurance RBC requirements into their BBA framework and eliminate the buffer. The notion of a buffer and the associated limitations on capital movement is analogous to the dangerous idea that capital is freely fungible and can be used as a "source of strength" for the group. Federal law provides that the FRB defer to state insurance regulators before imposing an additional capital requirement on any insurance subsidiary of an IDIHC over and above the state insurance regulatory requirement. In addition, the FRB cannot require an IDIHC to serve as a "source of strength" if the state insurance regulator says that such action would have a "materially adverse effect" on the financial condition of an insurance entity.[6]

It is being proposed that a new reporting form – Form FR Q-1 – would be required to be submitted at least annually on March 15, and more frequent reporting may be requested if only to reflect significant changes to the group. Additionally, it has been widely discussed that the first FR Q-1 and Chief Financial Officer attestation filing would be due in 2021, giving impacted companies very little time to implement the systems and controls needed to produce both the FR Q-1 and CFO attestation documents. NAMIC members recommend the FRB provide a one-year transition period to allow companies time to put their systems and controls in place and require the first BBA filing to be due March 15, 2022. Most of the information reported on the FR Q-1 would not be for public use but the FRB is proposing to make public the building block available capital, building block requirement, and BBA ratio of the top-tier parent of the IDIHC.

As far as timing and frequency, NAMIC recommends aligning the filing to be sometime after the audited financial statements and RBC filings have been completed. That would help streamline similar processes and reduce regulatory costs. In terms of public disclosures, NAMIC questions the value of disclosing any of the elements of the BBA ratio, and believes this puts insurance SLHCs at a competitive disadvantage. Insurance legal entities are required to disclose their RBC ratio in their annual statement; however, if they are a member of a holding company, while a GCC is being developed and may apply to them, currently there is no public disclosure of a group capital ratio for these firms.

II. Closing

To clearly state it again, NAMIC supports the overall direction taken by the FRB; however, we do have a few recommendations for the Board to consider and believe they would improve the BBA while maintaining compliance with the DFA. NAMIC members were pleased to see that the BBA leverages existing state SAP and RBC requirements as is reflective of congressional intent, but as we illustrated in our letter, we think the BBA should go further in incorporating other aspects of state insurance solvency regulation.

Our letter highlighted several themes and observations that we have gathered from NAMIC members. The purpose of our letter was to be constructive and to provide appropriate feedback for the FRB to consider. The following is a summary of our key recommendations and requests:

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[6] 12 USC § 1831o-1; 12 USC § 1844(g)

1. The BBA should fully incorporate all existing state-based insurance RBC requirements and other aspects of state law into their rulemaking process and eliminate the buffer;
2. The FRB should go further to tailor their capital approach to the insurance business model;
3. The FRB should look at what is already being done by state regulators charged with monitoring the solvency of a holding company;
4. Any approach to group capital should include minimal eliminations and adjustments from state RBC requirements and state admitted capital;
5. The FRB should allow for the flexibility to rely on state-based regulation and accept a top-tier insurance SLHC's RBC in limited situations where the expected BBA results do not provide significant insight into the solvency of an SLHC;
6. NAMIC recommends to not disclose the BBA ratio, building block available capital, or building block requirement for any firm required to comply with the rule and to delay implementation until March 15, 2022.

NAMIC will continue to work with the FRB and other stakeholders and will advocate for productive legislative and regulatory initiatives for our members. If you have any questions or comments, please feel free to contact me.

Respectfully Submitted,

Jonathan Rodgers

Jonathan Rodgers
Director of Financial and Tax Policy
National Association of Mutual Insurance Companies