# AMERIPRISE FINANCIAL INC., SHWETA JHANJI

## Proposal and Comment Information

**Title:** EGRPRA:  Banking Operations, Capital, and the Community Reinvestment Act, OP-1828

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## Submitter Information

**Organization Name:** Ameriprise Financial Inc.

**Organization Type:** Company

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**Submitted Date:** 10/23/2025

Please see attached comment letter relating to the EGRPRA: Banking Operations, Capital, and the Community Reinvestment Act (OP-1828).

October 23, 2025

*By Electronic Transmission*

Ms. Ann Misback
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551

RE: Docket No. OP-1828
Review Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996

Dear Ms. Misback:

Ameriprise Financial Inc. ("Ameriprise")[1] appreciates the opportunity to submit these comments in response to the interagency request for comments on regulations in the categories of Bank Operations, Capital, and the Community Reinvestment Act (the "Notice").[2] The Notice was issued pursuant to the requirements of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 ("EGRPRA"), which mandates a review of federal banking agency regulations at least every ten years to identify outdated or otherwise unnecessary regulatory requirements on insured depository institutions and their holding companies.[3]

The Notice also invites comments on any other rules finalized by the agencies as of July 25, 2025, as well as certain specified rules. This comment letter addresses one of the specified rules, the Risk-Based Capital Requirements for Depository Institution Holding Companies Significantly Engaged in Insurance Activities issued by the Federal Reserve Board (the "Board")

[1] Ameriprise is a diversified financial services company with $1.5 trillion in assets under management, administration, and advisement as of December 31, 2024. At Ameriprise, we have been helping people feel confident about their financial future for more than 130 years. With extensive investment advice, global asset management capabilities and insurance solutions and a nationwide network of approximately 10,000 financial advisors, we have the strength and expertise to serve the full range of individual and institutional investors' financial needs. For more information, visit ameriprise.com.
[2] 90 Fed. Reg. 35241 (July 25, 2025).
[3] 12 U.S.C. §3311.

in October 2023 (the "Rule").[4] Ameriprise is subject to the Rule because it is a depository institution holding company through its ownership of a federal savings bank ("Ameriprise Bank") and it has more than 25 percent of its total consolidated assets in insurance companies (other than insurance companies engaged in underwriting credit risk). Also, Ameriprise is the only depository institution holding company subject to the Rule whose top-tier holding company is a non-operating stock holding company.

Section I of this comment letter is a summary of the Rule. Section II lists two recommended changes to the Rule that would reduce regulatory burden, save costs, and ensure fair treatment of depository institution holding companies significantly engaged in insurance activities ("insurance depository institution holding companies" or "IDIHCs"). Those recommended changes relate to (1) the application of a "section 171 calculation" and (2) the treatment of long-term senior debt for purposes of the Building Block Approach ("BBA"). Sections III and IV discuss these two recommendations in detail. Appendix A addresses some of the specific questions posed in the Notice. Appendix B provides some data on the utilization of long-term senior debt by insurers. Appendix C shows the specific changes to the Rule needed to implement our recommendation related to the section 171 calculation.

## I. Summary of the Rule

The Rule establishes an enterprise-wide risk-based capital requirement for depository institution holding companies significantly engaged in insurance activities by applying a BBA based upon legal entity capital requirements developed by National Association of Insurance Commissioners ("NAIC") for entities engaged in insurance activities and the risk-based capital requirements modeled on the international Basel Accord for the non-insurance entities.[5] The Rule adjusts the combined capital base of an organization's legal entities to avoid double counting of capital, ensure the ability of the capital element to absorb losses, and limit the use of certain types of capital instruments, among other technical modifications. The Rule aggregates the capital positions of the building blocks after applying a "scalar" that takes into account the different purposes of the insurance and bank capital requirements.[6] Importantly, missing from the Rule is a recognition of any of the capital enhancement afforded by long-term senior debt issued by an IDIHC.

In addition, the Rule requires certain IDIHCs to conduct a separate "section 171 calculation." According to the preamble to the Rule, this calculation is intended to provide additional assurance that the holding company is in compliance with section 171 of The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Section 171 of the Dodd-Frank Act requires the Board to ensure that the minimum leverage and risk-based capital ratios applied to depository institution holding companies are not less than the capital

[4] The final rule was published at 88 Fed. Reg. 82950 (Nov. 27, 2023), and is codified at 12 C.F.R. part 217, subpart J.

[5] A depository institution holding company is significantly engaged in insurance activities if the top-tier holding company is: (1) an insurance underwriting company; or (2) has 25 percent or more of its total consolidated assets in subsidiaries that are insurance underwriting companies (other than assets associated with insurance underwriting for credit risk).

[6] The scalar was developed to take into account the different purposes and terminology in the two capital frameworks.

requirements in effect for insured banks and savings associations as of July 21, 2010, and are not less stringent than the capital rules applied to insured banks and savings associations.[7]

In 2014, Congress amended section 171 to permit the Board to exclude a company that is a regulated insurance entity from the section 171 calculation.[8] The Rule reflects the Board's exercise of this authority but applies the section 171 calculation differently based upon the structure of the top-tier holding company in the organization. If a top-tier parent company is not an insurance underwriting company, the section 171 calculation applies, and the parent company is subject to the Board's minimum Basel risk-based capital requirements. If the top-tier parent company is an insurance underwriting company, the section 171 calculation does not apply to that company. Instead, the calculation applies to the furthest upstream holding company that is not an insurance underwriting company (an "insurance mid-tier holding company").[9]

In other words, a section 171 calculation is required *only* when the top-tier parent company is not an insurance underwriting company and therefore not subject to the NAIC risk-based capital rule. In this situation, the top-tier parent company is subject to Basel risk-based capital requirements, and ordinarily the assets and liabilities of its subsidiaries would be consolidated with the parent company for purposes of the capital requirement. However, in light of the significant differences between banking and insurance industries, consolidation is not a practical option. This presents a novel issue.

The attempted solution adopted in the Rule is to give a top-tier parent that is not an insurance underwriting company an election. The parent company may elect to not consolidate the assets and liabilities of all its subsidiary insurance companies for purposes of section 171. If the company makes this election, it must either: (1) deduct the aggregate amount of its outstanding equity investment in each insurance subsidiary from its common equity tier 1 capital; or (2) risk-weight its equity investment in insurance subsidiaries at 400 percent. The 400 percent risk-weight was chosen because that is the risk-weight applicable to an investment in a non-publicly traded company by a bank holding company. However, each option is highly problematic (as described further below in Section III) and regardless of the choice, the Rule creates anti-competitive impacts that are based on organizational structure rather than a public policy justification.

## II. Recommended Changes to the Rule

While the Rule takes into account differences between insurance and banking activities, and gives appropriate recognition to the NAIC's risk-based capital requirements for insurers, we recommend two changes to the Rule that would reduce regulatory burden, save costs, and ensure fair treatment for depository institution holding companies with significant insurance activities (while lessening anti-competitive impacts):

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[7] Section 171 of Public Law 111-203, Title I § 171, July 21, 2010, codified at 12 U.S.C. § 5371.
[8] Public Law 113-279 (2014).
[9] However, the Board determined that a separate section 171 calculation is not required for a mid-tier non-insurance parent, since this company and its non-insurance subsidiaries are essentially subject to the current Basel risk-based rules, and therefore compliance with section 171 is presumed.

- The Board should repeal the unnecessary and unduly burdensome requirement for a separate section 171 calculation so that all IDIHCs are treated equally; and
- The Board should recognize the capital enhancement afforded by long-term unsecured senior debt issued by an IDIHC that is an insurance savings and loan holding company ("ISLHC").

These recommendations are discussed in detail in Sections III and IV, below.

## III. The Section 171 Calculation Is Unnecessary and Unduly Burdensome and Should Be Repealed

When the Rule was issued, the Board explained that imposing the section 171 calculation "accords with the plain language meaning of section 171 of the Dodd-Frank Act, considering also the use of terms in section 171 elsewhere in the Federal banking laws, and the legislative history of section 171 and the 2014 Amendment."[10] We disagree. The section 171 calculation is not necessary and is unduly burdensome. It is not supported by any public or economic policy, and it is not required by either the text or legislative history of section 171. It creates a second and unnecessary capital calculation that injects unneeded complexity and unduly burdens resources to prepare the calculations and manage a company's balance sheet with no benefit and anti-competitive impacts.

Congress has given the Board considerable flexibility in applying the requirements of section 171, and we recommend that the Board use this authority to repeal the section 171 calculation.

### The Section 171 Calculation Is Not Necessary Because Compliance with the BBA Ensures Compliance with Section 171

In the preamble to the Rule, the Board states that the BBA was designed to produce an enterprise-wide risk-based capital requirement that is not less stringent than the results derived from the Board's banking capital rule.[11] The preamble to the Rule also states that the Rule includes a margin that "ensures, to a high degree of confidence, that the BBA's minimum requirement is not less than the banking capital requirements.[12]

When the Rule was issued the Board acknowledged that the minimum capital requirements imposed by section 171 would be satisfied by compliance with the BBA. Therefore, there is no need for an IDIHC to conduct a separate section 171 calculation. Instead, the Board should rely upon the fact that the BBA is at least as stringent as the generally applicable bank capital rules and the rules in effect on July 10, 2010.[13] This acknowledgement, alone, should be sufficient to justify the repeal of the section 171 calculation.

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[10] 88 Fed. Reg. 82955 (Nov. 27, 2023).
[11] 88 Fed. Reg. 82944 (Nov. 27, 2023).
[12] Id. at. 82956.
[13] The Board has applied such an approach to bank holding companies subject to the standardized capital requirements. Those companies are not required to conduct a separate capital analysis because the standardized approach is designed to comply with section 171.

The Section 171 Calculation Places an Undue Burden on Certain IDIHCs

The section 171 calculation places an IDIHC with a top-tier parent that is not an insurance underwriting company at a competitive disadvantage to organizations whose top-tier parent is an insurance underwriting company. The section 171 calculation has this effect because under the Rule such an IDIHC is subject to a punitive capital charge for its investment in insurance subsidiaries that does not apply to an IDIHC whose top-tier parent is an insurance underwriting company.[14] There is no public policy justification for this disparate treatment.

The choice of corporate form of a parent holding company is based on a number of considerations, but the most significant may well be the history of the enterprise. Beginning as early as 1752 insurance companies were formed as mutual organizations in which the policyowners capitalized and owned the insurance company. Mutual companies are not corporations. Beginning in the late 1990s, states began passing laws allowing mutual insurance companies to convert to stock corporations and form "insurance holding companies." Many insurance companies took that approach.[15] Many did not. Today, there are a significant number of mutual insurance companies that expanded through acquisitions and serve as the ultimate parent company of conglomerates that include other financial entities. Thus, the insurance industry consists of a mixture of mutual and stock companies, and the top-tier parent likewise may be a mutual or a stock holding company and may or may not be an insurance underwriting company.

Neither the notice of proposed rulemaking (the "NPR") nor the Rule provide a policy basis for distinguishing between IDIHCs based on corporate structure. Moreover, the Board's own insurance expert advisors, the Insurance Policy Advisory Committee ("IPAC") argued against this approach.[16] According to the minutes of the meeting of the IPAC, all but one of the members of the IPAC disagreed with the rule's disparate treatment of non-operating parent companies. IPAC members provided views on legal interpretations of section 171 of the Dodd-Frank Act that diverged from the NPR and encouraged the Board to explore other ways to satisfy the statutory requirement. Indeed, the IPAC urged the Board to embrace the flexibility granted to it by (among other options) not adopting the proposed 171 calculation in the final rule.[17]

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[14] Ameriprise is uniquely impacted by the section 171 calculation as a traditional public company with a significant life insurance subsidiary. Currently, it is the only such insurance savings and loan holding company that has a non-operating stock company as its top-tier holding company (and is not narrowly focused on title insurance).

[15] G. Racz, The "No Longer a Piece of the Rock: The Silent Reorganizations of Mutual Insurance Companies," 73 N.Y.U. L.R. 999 (1998).

[16] Insurance Policy Advisory Committee was established in 2018 by statute (Public Law No. 115-174 §211(b) (2018). The purpose of the Advisory Committee to provide information, advice and recommendations to the Board on capital standards and other insurance issues. Committee members are industry leaders and academic experts selected by the Board of Governors based on their proven expertise in insurance, actual science, regulation, and accounting, among other relevant subjects. See: https://www.federalreserve.gov/aboutthefed/ipac.htm

[17] The Insurance Policy Advisory Committee (IPAC) Record of Meeting from May 11, 2020. See, https://www.federalreserve.gov/aboutthefed/files/ipac-20200303.pdf.

Public policy also dictates that capital requirements should be established based on the economic risk presented by the assets, liabilities, and other activities of the regulated entity.[18] The Board does not argue that the existence of a non-operating parent company increases the risk of the regulated entity. The risks inherent in the operations of a depository institution holding company are the same, regardless of the structure of the top-tier parent. Indeed, many bank holding companies have a non-operating stock company as the top-tier parent. Further, pursuant to the "source of strength" doctrine,[19] the Board has plenary authority to require an IDIHC to provide financial support to a subsidiary insured depository institution, including the authority to require the parent to use the assets of non-insurance subsidiaries to support the insured depository institution.[20]

Further, the Board has recognized that the imposition of the capital deduction imposed on non-operating parent companies could yield inaccurate or overly conservative results for purposes of the section 171 calculation. In the preamble to the Rule, the Board explained that this could be the case when a parent holding company has issued debt to fund equity contributions to its insurance subsidiaries.[21] Public policy dictates that the Board should not take regulatory action that imposes a capital penalty based on factors that have no economic significance, or that results in "overly conservative" treatment of *some* IDIHCs but not others.

Both Options Under the Section 171 Calculation Are Flawed

*The Deconsolidate and Deduct Option has Flaws*

An IDIHC has an option to deduct the aggregate amount of its outstanding equity investment in each insurance subsidiary from its common equity tier 1 capital. In practice, this results in a punitive 1,250% effective risk weight. More broadly, using this option still requires a second and unnecessary section 171 calculation. This creates unnecessary complexity and constraints on the company's resources. An IDIHC must prepare the calculations and manage its balance sheet without any benefit and with anti-competitive impacts.

*Changes in Insurance Accounting Standards Have Made Compliance with the Section 171 Calculation Based on Risk-Weighting its Equity Investment at 400% Even More Burdensome*

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[18] See, e.g. Statement of Federal Reserve Board Vice-Chair for Supervision, Michael Barr: "Capital regulation—requiring a bank to operate with what is deemed to be an adequate level of equity based on *its asset size and its risks*—is a useful tool to strengthen the incentives for banks to lend safely and prudently." (emphasis added). https://www.federalreserve.gov/newsevents/speech/barr20221201a.htm.

[19] 12 U.S.C. § 1831o-1, 12 C.F.R. §238.8(a)(1).

[20] Federal Reserve Board, Bank Holding Company Supervision Manual at Sec. 10.20 (2023) ("Section 616(d) of the Dodd-Frank Act revised section 38A of the FDIA to require a [savings and loan holding companies ("SLHCs")] and any other company (including a [bank holding company ("BHC")]) that controls an insured depository institution to act as a source of strength to its depository institution. The board implemented the source of strength requirement into Regulation LL, which explicitly states that an 'SLHC shall serve as a source of financial and managerial strength to its subsidiary savings associations and shall not conduct its operations in an unsafe or unsound manner.' … "Additionally, if the Board believes an activity of the SLHC or a nonbank subsidiary constitutes a serious risk to the financial safety, soundness, or stability of a subsidiary savings association … the Board may require the SLHC to terminate the activity or divest control of the nonbanking subsidiary."

[21] 84 Fed. Reg. 57247 (Oct. 24, 2019).

The second option for an IDIHC involves risk-weighting its insurance company equity investments at 400%. Concurrent with the promulgation of the Rule, the Financial Accounting Standards Board required insurers to comply with new GAAP long-duration improvements ("LDTI") accounting standards.[22] For a company, such as Ameriprise, which is a major issuer of annuity contracts, fluctuations in the valuation of annuities result in significant volatility in GAAP equity. The 400% risk-weight option and LDTI accounting are not linked to Statutory Accounting Principles ("SAP"), and the GAAP accounting treatment does not match the underlying liquidity/cash flow of a variable annuity. This, in turn, makes it very challenging to apply the section 171 calculation.

Additionally, as applied in this option, the dual BBA calculation and section 171 calculation are not correlated and may move in opposite directions. As a result, Ameriprise may be more capital constrained when the section 171 calculation is more stringent than the BBA but would not receive any capital reduction when the section 171 calculation is less stringent than the BBA.

In sum, the volatility in GAAP equity caused by the new LDTI accounting standards complicates the section 171 calculation in the application of this option and makes it difficult to manage capital.

A Non-Operating Parent That Owns and Controls an Insurance Company Should Be Treated as a Regulated Insurance Entity

The Rule treats a non-operating (shell) parent of a depository institution holding company as a banking entity, subject to banking capital requirements, rather than an insurance entity (even where the non-operating parent, like Ameriprise, owns and controls an insurance company and is subject to regulation by state insurance authorities). Such treatment is not required by section 171 – instead, and as consistent with section 171, such an IDIHC should be treated as a regulated insurance entity for purposes of section 171.[23]

As noted, in 2014, Congress amended section 171 to provide that the Board is not required to impose banking capital requirements on a holding company that is: (1) regulated by a State insurance regulator; and (2) is acting in its capacity as a regulated insurance entity.[24] A parent of an regulated insurance entity, such as Ameriprise, meets these conditions.

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[22] FASB Accounting Standards Update, No 2018-12, August 2018. The standard became effective for public companies, such as Ameriprise, on January 1, 2023.

[23] The NAIC has developed a model law for insurance holding companies, the Insurance Holding Company System Regulatory Act, and every state has adopted a version of this model act; see, NAIC Model Law MO-440-1.

[24] Public Law 113-279, 128 Stat 3017 (2014), 12 U.S.C. §5371(c). ("In establishing the minimum leverage capital requirements and minimum risk-based capital requirements on a consolidated basis for a depository institution holding company … the appropriate Federal banking agencies shall not be required to include, for any purpose of this section (including in any determination of consolidation), a person regulated by a State insurance regulator or a regulated foreign subsidiary or a regulated foreign affiliate of such person engaged in the business of insurance, to the extent that such person acts in its capacity as a regulated insurance entity.")

Ameriprise is regulated as an insurance holding company by the insurance authorities of the States of Minnesota and New York. Minnesota requires Ameriprise to file an enterprise risk report with the State insurance authorities;[25] subjects transactions between affiliates within the holding company system to certain standards;[26] requires prior approval for mergers and acquisitions;[27] requires an insurance holding company to file a group capital calculation (which can be satisfied by providing the BBA calculation);[28] and subjects Ameriprise to supervision by State insurance authorities in its capacity as an internationally active insurance group.[29] New York imposes similar requirements on insurance holding companies.[30]

As an insurance holding company, Ameriprise also may be deemed to be "acting in the capacity as a regulated insurance entity." Section 171 defines that term to include any action or activity undertaken by a person regulated by a State insurance regulator that is *related* to the provision of insurance, or any other activities necessary to engage in the business of insurance.[31] As the parent of insurance subsidiaries, Ameriprise controls and supports its insurance subsidiaries through strategic directions and financial contribution. That control and support constitute activities that are *related* to the provision of insurance by the company's insurance subsidiaries. Also, while the Supreme Court has defined the term "business of insurance" to mean underwriting and risk sharing activities,[32] Section 171 defines the term more broadly to include all "*acts necessary to such writing or reinsuring*."[33] Thus, an IDIHC, such as Ameriprise, that controls and supports insurance subsidiaries may be deemed to engaging in *acts necessary to writing* insurance by those subsidiaries.

In sum, the parent of a regulated insurance company, such as Ameriprise, should be treated as a regulated insurance entity for purposes of section 171, not a banking entity. This is clear because the parent is regulated by state insurance authorities and acts in the capacity as a regulated insurance entity as that term is defined in section 171.

Congress Has Given the Board Considerable Discretion in Applying Section 171

Prior to the issuance of the Rule, the Board acknowledged that it has significant flexibility in determining compliance with section 171. In 2011, the Board published a notice that it was "considering applying to SLHCs the same consolidated risk-based and leverage capital requirements as applicable to bank holding companies, to the *extent reasonable* and feasible *taking into consideration the unique characteristics of SLHCs* and the requirements of

[25] Minnesota Statutes, Chapter 60D.19, subd.11a.
[26] Minnesota Statutes, Chapter 60D,.20, subd.1.
[27] Minnesota Statutes, Chapter 60D.17, subd.1.
[28] Minnesota Statutes, Chapter 60D.217.
[29] Id.
[30] Consolidated Laws of New York, Chapter 28, Article 15, §1503.
[31] 12 U.S.C. §5371(a)(7), (emphasis added).
[32] *Group Life & Health Insurance Co. v. Royal Drug Co*., 440 U.S. 205 (1979).
[33] Section 171(a)(4) states that the term "business of insurance" has the same meaning as in section 5481(3) of Title 12 of the U.S. Code. That section of the U.S. Code defines the "business of insurance" to mean "the writing of insurance or the reinsuring of risks by an insurer, *including all acts necessary to such writing or reinsuring* and the activities relating to the writing of insurance or the reinsuring of risks conducted by persons who act as, or are, officers, directors, agents, or employees of insurers or who are other persons authorized to act on behalf of such persons." (emphasis added).

[the Home Owners' Loan Act]"[34] Later that same year, the Board and the other Federal banking agencies noted that section 171 must be read in context with the other provisions of Dodd-Frank Act to avoid imposing conflicting or inconsistent regulatory capital requirements.[35]

In 2013, the Board excluded SLHCs substantially engaged in insurance underwriting activities ("insurance savings and loan holding companies" or "ISLHCs") from bank-centric capital requirements.[36] The Board explained that it needed to explore further "*whether and how*" the capital rules should be applied to ISLHCs.[37] Thus, as of 2013, the Board clearly believed that it had the flexibility to exempt ISLHCs from section 171, and proceeded to do so until the Rule was issued. Simply put, if the Board had the authority to exempt ISLHCs from bank capital requirements in 2013, it is difficult to understand why the Board then felt in 2023 it had no choice under section 171 but to subject IDIHCs to an onerous capital charge based on ownership of equity interests in insurance subsidiaries.

The Board should use its considerable discretion to ensure that the capital requirements for all IDIHCs are based on the economic and other safety and soundness risks presented by these entities, rather than on corporate structures that have no meaningful relationship to holding company safety and soundness.

The Legislative History of Section 171 Supports Board Flexibility in the Application of Section 171

In 2010, when section 171 was originally enacted, there was no carve out for state regulated insurance companies. The sponsor of section 171, Senator Collins, as well as legal experts, felt that the Board had flexibility to exempt state regulated insurance companies without the need to amend the statute.[38] At that time, it also was noted that since section 171 did not specifically refer to the business of insurance, the Board lacked clear authority to supersede state insurance capital rules based upon the terms of the McCarran-Ferguson Act, which provides that "[N]o act of Congress shall be construed to invalidate, impair, or supersede any law enacted by any State for the purpose of regulating the business of insurance . . . unless such Act specifically relates to the business of insurance."[39] In fact, these concerns apparently proved persuasive in 2013 when the Board agreed to study "whether and how" to impose capital standards on insurance saving and loan holding companies.[40]

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[34] Federal Reserve Board, Notice of Intent to Apply Certain Supervisory Guidance to Savings and Loan Holding Companies, Doc. OP-1416 (April 15, 2011), (emphasis added).
[35] 76 Fed. Reg. at 37626 (June 28, 2011).
[36] 78 Fed. Reg. 62018 (October 11, 2013).
[37] Id. at 62017. ("The Board will explore further *whether and how* the proposed [capital] rule should be modified for these companies in a manner consistent with section 171 of the Dodd-Frank Act and safety and soundness concerns.")
[38] See statement of Rodgin Cohen at Senate Banking Committee Hearing on Section 171 found here: https://www.banking.senate.gov/imo/media/doc/CohenTestimony31114.pdf.
[39] 15 U.S.C. § 1012. It was argued the Board's capital proposal disregards the state-based regulatory capital and reserving regimes applicable to insurance companies and thus would impair the solvency laws enacted by the states for the purpose of regulating insurance. Some commenters also said that the proposal would alter the risk-management practices and other aspects of the insurance business conducted in accordance with the state laws, in contravention of the McCarran-Ferguson Act.
[40] 78 Fed. Reg. 62018 (October 11, 2013).

In 2014, Congress amended section 171 to provide an explicit clarification that the Board had the flexibility to exclude insurance companies from the minimum bank capital requirements. This amendment originated as S.2270, sponsored by Senators Collins, Brown and Johanns, and introduced in the Senate on April 29, 2014.[41] Senator Collins reiterated her view that section 171 as passed in 2010 already provided the Board with the flexibility to recognize the differences between banking organizations and insurance companies.[42] She explained that S.2270 was introduced to resolve any "reservations" that the Board may have about its discretion to recognize the differences between banking and insurance when implementing section 171. The bill also directed the Board not to require insurers that file statements using SAP to instead prepare statements under GAAP.[43]

On December 10, 2014, days before S.2270 was enacted into law, Senators Collins, Brown and Johanns engaged in a colloquy about the intent of the amendment. In that exchange, Senator Johanns explained that the legislation allows state insurance rules to continue to determine the capital requirements for insurance companies and groups that are part of a Board supervised savings and loan holding company. Senator Johanns explained that the carve out for insurance companies is not limited to the insurance company but also includes *affiliates and subsidiaries* that are necessary to the business of insurance.[44]

Senator Collins elaborated further, stating that "It would be at odds with sound public policy and the intent of this legislation for the Federal Reserve to impose a Basel banking capital regime on the entire enterprise of an insurer that happens to also own a sizable insured depository institution--the depository institution in that operation will already be subject to banking rules, but the insurance operations should not be."[45]

This legislative history demonstrates that the sponsors of the 2014 amendment believed that the Board has considerable flexibility in implementing section 171 for companies that engage in insurance activities both before and after the "clarifying amendment." This flexibility includes the discretion to broaden the insurance "carve out" to include affiliates and subsidiaries that are assisting in the provision of insurance products and services. This would include a non-insurance parent-holding company that exercises ultimate control over an insurance subsidiary, such as Ameriprise.

The BBA Calculation Has Taken More Time Than Anticipated and the Section 171 Calculation Is An Additional Burden

The Board estimated that compliance with the Rule would take each IDIHC 175.50 hours for initial setup and another 43.88 hours for ongoing compliance.[46] In our conservative estimate, it has taken multiple times this amount for ongoing compliance with the official annual filing and

[41] S.2270, 113th Cong.2d Sess. (2014).
[42] 160 Cong. Rec. S2471 (April 29, 2014).
[43] Id.
[44] Id. at 6530 (December 10, 2014).
[45] Id.
[46] 88 Fed. Reg. 82966 (Nov. 27, 2023).

estimated quarterly calculations (and this does not include additional time for risk analysis under the BBA framework and associated balance sheet management). It is our understanding that the Board's estimate covers the time necessary to satisfy the BBA calculation. Our firm, which is also subject to the additional obligation to satisfy section 171, faces an additional compliance burden due to the application of the section 171 calculation. Due to this additional requirement, we manage a balance sheet to a second standard which takes additional hours and resources to set up and oversee.

Summary of Comments Regarding Section 171

In summary, the section 171 calculation is not necessary and is unduly burdensome. It is not supported by any public or economic policy; it imposes a complex calculation that has become more burdensome based upon recent changes in insurance accounting standards; and it is not required by either the text or legislative history of section 171. Congress has given the Board considerable flexibility in applying the requirements of section 171 and the Board should use that authority to find that the BBA satisfies the Section 171 calculation including situations when the ultimate parent is a shell company.

## IV. The Board Should Recognize Long Term Senior Debt Issued by an ISLHC as Qualifying Capital for Purposes of the BBA and Section 171

The Rule does not recognize long-term unsecured senior debt ("LTD") issued by the ultimate parent of an IDIHC that is an ISLHC as qualifying capital for purposes of the BBA and Section 171. We understand that this is because LTD does not meet all the requirements applicable under the Basel rules for treatment as additional Tier 1 or Tier 2 capital. In particular, the concern was with the issue of subordination to the creditors of the subsidiary depository institution (and no doubt to insurance policy holders).[47] Moreover, the Rule requires a building block parent to deduct any investments in its subsidiary's capital instruments in order to eliminate "double leveraging." [48] As a result, an ISLHC is not able to recognize the capital enhancing benefits of issuing LTD.

LTD plays an important role for stock ISLHCs, and as a matter of economics, provides an additional cushion to its capital base.

Stock parent companies rely on LTD to capitalize insurance subsidiaries because the investor base for LTD issued by top tier stock companies is deeper and more fluid than issuances at the insurance company level. Requiring stock parent companies to issue surplus notes through operating insurance subsidiaries would be unusual and inefficient, as all such capital would optimally be raised at the top-tier holding company level. Requiring stock parent companies to issue surplus notes through insurance subsidiaries limits the fungibility of the capital raised by limiting any loss absorption to the insurance subsidiary itself. In contrast, capital raised at the

[47] See discussion at 88 Fed. Reg. 82960 (Nov. 27, 2023).

[48] Double leverage refers to a practice in which a holding company raises funds in credit markets and "down streams" them to subsidiaries. In the BHC context, Federal Reserve staff economists recognized early on that such double-leveraging "increases a bank's ability to raise funds quickly. Karlyn Mitchell, "Capital Adequacy at Commercial Banks, "Economic Review, Federal reserve Bank of Kansas City, September/October 1984.

top-tier holding company level is available to absorb losses across the group. Moreover, surplus notes generally are not registered with the Securities and Exchange Commission (typically issued under Rule 144A) and therefore inherently have a smaller secondary marketplace. Appendix B illustrates the demand for LTD by insurance firms. It also has been our experience that LTD is available at a lower cost than alternatives to LTD. We have seen a 100 to 200 basis point differential in the expected cost of issuing LTD versus a subordinated instrument. As a reference point, if we paid an additional 2% in interest on the amount of LTD we had outstanding at December 31, 2024, that would cost Ameriprise over $50 million per year.

The failure of the Rule to recognize LTD issued by a stock ISLHC is unnecessary and overly burdensome. As explained below, LTD issued by a stock ISLHC is "structurally subordinated," and should be recognized as qualifying capital for purposes of the BBA. Comparatively, ISLHCs structured as a mutual are practically able to issue surplus notes that qualify as Tier 2 capital – resulting in a competitive disadvantage based solely on corporate structure. In addition, companies that are not ISLHCs are able to issue LTD to capitalize their insurance companies, resulting in a competitive disadvantage based solely on the presence of a savings association subsidiary.

LTD Issued by a Stock ISLHC is Structurally Subordinated

Rather than raising capital directly, insurance underwriting companies and depository institutions often access capital markets indirectly via their holding companies. Typically, a non-insurance company parent owning an insurance subsidiary will provide equity capital to its subsidiaries by down streaming funds raised through the issuance of LTD. Because debt financing is a more readily accessible source of capital than equity, at appreciably lower cost, and because interest expense is generally tax-deductible (whereas dividends on stock are not), issuing LTD provides a more efficient method for raising capital for subsidiary insurance companies.

A top-tier non-operating holding company owns and controls subsidiary companies but has few, if any, activities other than managing these companies. When such a shell parent company issues debt instruments the market understands that the shell company is relying on dividends or other transfers of funds from the subsidiary companies for repayment. However, the existence of separate corporate entities protects the subsidiary companies in the event the parent defaults on the debt. In addition, with respect to both banks and insurance companies, the ability to up-steam funds to the shell parent are limited by both regulation and plenary regulatory authority to prevent such transfers.[49] As a result, the debt issued by a shell parent company is "structurally subordinated" to the interests of depositors and insurance policy holders. It is for this reason that the NAIC Group Capital Calculation provides that LTD issued by a shell parent is allowed to increase available capital provided the debt has at least a five-year maturity and supervisory approval is required for the subsidiary insurance company to make distributions to

[49] The Board has a long history of requiring a holding company to downstream capital to a bank pursuant to it's enforcement and other regulatory and supervisory authority. The source of strength doctrine is separately codified 12 U.S.C. §1831o-1.

the parent.[50] Given the idea of a customized capital framework for IDIHCs that is grounded in deference to insurance regulation, the fact that the NAIC Group Capital Calculation recognizes the capital enhancement afforded by long-term senior debt issued by an ISLHC should be thoughtfully considered by the Board.

The impact of this "structural subordination" is recognized by the financial markets. The investment grade rating for debt issued by a non-operating insurance holding company typically is 2 to 3 notches below the claims paying or financial strength rating of an insurance underwriting company. Moreover, the investment grade rating for senior debt issued by a global systemically important bank holding company ("GSIB") is typically only 1 to 2 notches above the rating of such GSIB's tier 2-compliant subordinated debt. This notching implies that: (1) structural subordination is more significant for insurance groups than contractual subordination for bank holding companies; and (2) overall, senior unsecured debt issued by U.S. non-operating insurance holding companies is more "capital-like" than tier 2 capital instruments issued by a BHC.

We recommend that the Rule be revised by allowing a top-tier non-operating ISLHC to count LTD in its capital base, provided the LTD is structurally subordinated.

The Board Should Recognize Structural Subordination

Both the Rule and the Board's traditional bank holding company capital requirements require that, among other things, LTD be subordinated. The regulations do not require that this subordination be explicitly stated in the note. Structural subordination alone should satisfy this requirement.

*Corporate Separateness*

Under long standing principles of State and Federal law, corporations are separate legal entities, and as long as the requirements for separateness are not ignored, a subsidiary is not responsible for the debts of a parent company.[51] Therefore, LTD issued by a shell parent does not create any liability for a bank or insurance company subsidiary. In the event of a bankruptcy, the claims of parent LTD debt holders cannot reach subsidiary corporations as long as corporate separateness is maintained. As noted above, this is recognized by the credit rating agencies when considering structural subordination in their ratings.

*Depositor Preference Statute*

Section 11(a)(11) of the Federal Deposit Insurance Act provides that in the event of the failure of an insured bank or insured savings association, the receiver of such failed institution is to give preference to the payment of secured claims, administrative expenses, and then any

[50] NAIC 2024 Instructions for Group Capital Calculation, p. 35., https://content.naic.org/sites/default/files/inline-files/2024%20Instructions_1.pdf.

[51] See, e.g. *Dewberry Group Inc. v. Dewberry Engineers Inc*., __ U.S. __, No 23-900 (February 26, 2025). In this case the Supreme Court relied on the long-standing principle that "separately incorporated organizations are separate legal units with distinct legal rights and obligations" notwithstanding common ownership and affiliation.

deposit liabilities, whether or not insured.[52] This Federal statute therefore has the legal effect of subordinating the claims of holding company debt holders to the claims of depositors.

*Parent Debt is Subordinated to Policy Holders*

State insurance regulators review and oversee the payment of dividends by parent holding companies and therefore can foreclose the use of insurance company assets to pay holding company debt holders. This power can be used even when the parent is in default, and even if it causes the bankruptcy of the parent holding company. Therefore, LTD issued by the parent is effectively subordinated to policyholders and other claimants against any insurance subsidiary.

*Examples of Subordination Disclosure*

Ameriprise has issued LTD to support general corporate purposes and broader liquidity and financing. One requirement for a prospectus for the offering of these securities is a section on risk factors that describe risks related to the notes. The first risk factor in our most recent LTD offering is the following:[53]

> The notes will be effectively subordinated to the indebtedness and other liabilities of our subsidiaries.

Conclusion Regarding LTD

Long-term senior debt is a cost-effective method for a holding company to provide additional capital to a subsidiary bank or subsidiary insurance company. Although this debt may be denominated as senior debt, it is both legally and economically subordinated to claims against subsidiaries including the claims of depositors, the FDIC, and policyholders. Further, by statute, the holding company must serve as a source-of-strength to subsidiary banks and the Board's regulations and enforcement policies are designed to prioritize depositor and FDIC claims over holding company debt holders. Insurance supervisors can likewise put the interests of policyholders ahead of parent company LTD holders and must approve fundamental actions such as dividends. In addition, since the adoption of the Rule, the NAIC's Group Capital Calculation has recognized the capital enhancement afforded by long-term senior debt and the Rule is intended to be a highly customized enterprise capital rule for organizations significantly engaged in insurance with deference to insurance regulations. Overall, in light of the structurally subordinated position of LTD holders, we believe that the Rule should be amended to recognize the capital enhancing benefits of LTD. This would also remove the issue of competitive disadvantage relative to both the treatment of surplus notes issued by mutual companies compared to LTD (which is similarly structurally subordinated) and companies with no banking subsidiary that are able to capitalize their insurance companies with LTD.

[52] 12 U.S.C. § 1821(a)(11).,
[53] See, https://www.sec.gov/Archives/edgar/data/820027/000110465925017455/tm257081-2_424b2.htm.

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If the Board would like additional information regarding these comments, please contact Shweta Jhanji, Senior Vice President and Treasurer, via e-mail at Shweta.j.jhanji@ampf.com.

Respectfully Submitted,

/s/ Shweta J. Jhanji

Shweta J. Jhanji
Senior Vice President and Treasurer
Ameriprise Financial, Inc.

## Appendix A

## Responses to Certain Questions in the Notice Related to the Impact of the Federal Reserve Board's Risk-Based Requirements for Depository Institution Holding Companies Significantly Engaged in Insurance Activities, 12 C.F.R. Part 217, Subpart J (hereinafter the "Rule")

*Question 1: Have there been changes in the financial services industry, consumer behavior, or other circumstances that cause any regulations in these categories to be outdated, unnecessary, or unduly burdensome? If so, please identify the regulations, provide any available quantitative analyses or data, and indicate how the regulations should be amended.*

### Section 171 Calculation

A change in insurance accounting standards has made compliance with one of the options to the section 171 calculation required by the Rule more burdensome. In 2018, the Financial Accounting Standards Board modified the accounting standards applicable to long-term insurance products such as variable annuities. This change, the "long-duration improvements or LDTI" accounting standard, became effective for public companies on January 1, 2023, shortly before the effective date of the Rule. For a company that is a major issuer of variable annuities, such as Ameriprise, this new accounting standard increases volatility in GAAP equity, which makes it more challenging to apply the section 171 calculation in the 400% risk weighted option. This option and LDTI accounting is not linked to SAP, creating the potential for BBA and section 171 to move in opposite directions which presents substantial issues for capital management. The significant issues under this section 171 option leave companies with no practical alternative but to use the Deconsolidate and Deduct method. This method results in a punitive 1,250% effective risk weight and still requires a second and unnecessary Section 171 calculation that creates unneeded complexity and constraints on resources preparing the calculations and manage a company's balance sheet with no benefit and anti-competitive impacts.

### Treatment of LTD

The NAIC Group Capital Calculation was adopted in December 2020 and provides that LTD issued by a shell parent is allowed to increase available capital provided the debt has at least a five-year maturity and supervisory approval is required for the subsidiary insurance company to make distributions to the parent.[54] Given the idea of a customized capital framework for IDIHCs that is grounded in deference to insurance regulation, the fact that the NAIC Group Capital Calculation recognizes the capital enhancement afforded by long-term senior debt issued by an IDIHC should be thoughtfully considered by the Board.

Market data shows that since the issuance of the Rule, LTD constitutes the majority of debt (in volume and number of deals) issued by insurers. It also is materially less expensive than

[54] NAIC 2024 Instructions for Group Capital Calculation, p. 35., https://content.naic.org/sites/default/files/inline-files/2024%20Instructions_1.pdf.

subordinated debt. This data supports our view that failure to recognize LTD as qualifying capital under the BBA imposes an unnecessary and burdensome requirement on ISLHCs.

*Question 2: Do any of these regulations impose burdens not required by their underlying statutes? If so, please identify the regulations and indicate how they should be amended.*

Section 171 Calculation

As currently applied by the Board, the Rule requires a top-tier non-operating insurance holding company to conduct a capital calculation (the "section 171 calculation") that is based upon banking capital requirements rather than insurance capital requirements. This section 171 calculation is not mandated by law.

In 2014, Congress amended section 171 to explicitly state that the Federal Reserve Board "shall not be required to include, for any purpose of this section (including any determination of consolidation), a person regulated by a State insurance regulator … to the extent such person acts in its capacity as a regulated insurance entity." (12 U.S.C. §5371(c)) As one of authors of the amendment stated at the time, this provision was intended to ensure that state regulated insurance entities were not subject to banking capital requirements:

> It would be at odds with sound public policy and the intent of this legislation for the Federal Reserve to impose a Basel banking capital regime on the entire enterprise of an insurer that happens to own a sizable insured depository institution – the depository institution in that operation will already be subject to banking rules, but the insurance operation should not be. (Statement of Senator Susan Collins, 160 Cong. Rec. 6530, December 10, 2014)

Moreover, by its very terms, section 171, as amended, should not be interpreted to apply to an insurance holding company. The amendment, quoted above, covers companies that are: (1) regulated by state insurance authorities; and (2) acting in a capacity as a regulated insurance entity. An insurance holding company that is a top-tier non-operating holding company satisfies these conditions. Such a holding company is regulated by state insurance authorities. It is required to register with those authorities, and it is subject to various state-imposed insurance requirements including risk management reporting, restrictions on mergers and acquisitions, restrictions on affiliate transactions, and group-wide capital reporting. Also, a state regulated insurance holding company may be deemed to be acting in the capacity as a regulated insurance entity through its management and control of one or more insurance companies. As defined in section 171, the term "capacity as a regulated insurance entity" includes *any action* regulated to the business of insurance, and the term "business of insurance" is defined to include *all acts* necessary to the writing of insurance. Providing strategic management and financial support to a subsidiary insurance company falls within the scope of these definitions.

Finally, as a practical matter, the section 171 calculation is not required because, as the Board has acknowledged, the risk-based capital requirements otherwise required in the Rule (the "BBA calculation") ensure, to a high degree of confidence, that the BBA's minimum

requirement is not less than the banking capital requirements." (88 Fed. Reg. 82956 (Nov. 27, 2023))

The simple solution to this issue is for the Board to repeal the section 171 calculation.

Treatment of LTD

The Rule does not permit LTD to be recognized for capital purposes because it is not sufficiently subordinated. However, as a matter of law, the LTD is subordinated to the claims against subsidiary insured depository institutions and insurance policyholders. The Board should recognize the legal significance of structural subordination, as well as its regulatory authority to require a holding company to downstream its assets to a subsidiary insured depository. Therefore, the Rule should recognize the capital contribution made by LTD. LTD could be considered a qualifying capital instrument by adjusting the criteria or update the BBA to give credit for the capital enhancement afforded by LTD.

*Question 8: Do any of the regulations in these categories create competitive disadvantages for one part of the financial services industry compared to another or for one type of insured depository institution compared to another? If so, please identify the regulations and indicate how they should be amended.*

Section 171 Calculation

The section 171 calculation in the Rule places top-tier non-operating holding companies at a competitive disadvantage to top-tier holding companies directly engaged in insurance underwriting. There is no public policy justification for this disparate impact. Capital requirements should be based on the economic risk presented by the assets, liabilities, and economic risks posed by a company, not its organizational structure.

Treatment of LTD

The failure of the Rule to recognize LTD issued by a stock ISLHC creates a competitive disadvantage based solely on both corporate structure or the presence of a savings association affiliate that is unnecessary and overly burdensome. LTD issued by a stock ISLHC is "structurally subordinated," and should be recognized as qualifying capital for purposes of the BBA. Comparatively, ISLHCs structured as a mutual are practically able to issue surplus notes that qualify as Tier 2 capital – resulting in a competitive disadvantage based solely on corporate structure. In addition, companies that are not ISLHCs are able to issue LTD to capitalize their insurance companies, resulting in a competitive disadvantage based solely on the presence of a savings association subsidiary.

*Question 11: Do any of the regulations in these categories impose requirements that are unwarranted by the unique characteristics of a particular type of insured depository institution or holding company? If so, please identify the regulations and indicate how they should be amended.*

Section 171 Calculation

Ameriprise is uniquely impacted by the section 171 calculation in the Rule. It is the only top-tier non-operating holding company that is subject to the calculation. As a result, Ameriprise is subject to different, and higher, capital requirements than other IDIHCs.

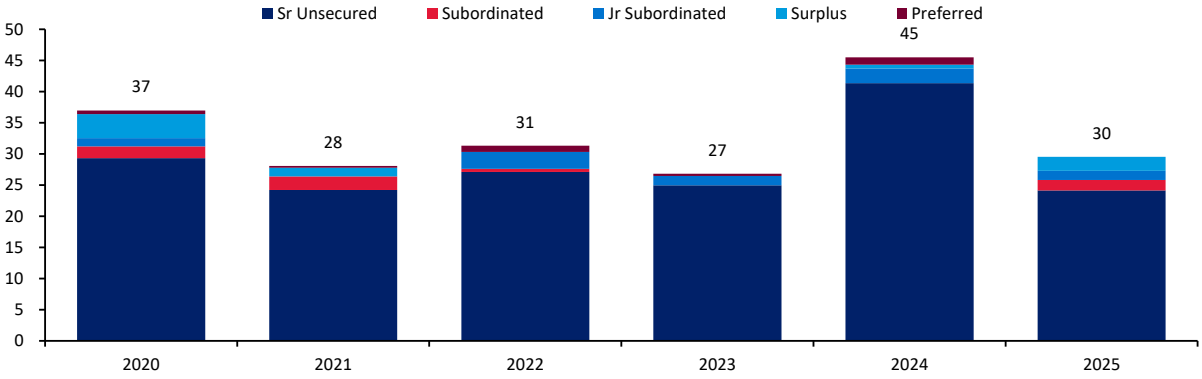
Importantly, the interpretation of this provision has resulted in the migration of a number of financial institutions away from involvement in banking activities. At the time the Board first began its work on the Rule, several financial organizations would have qualified as IDIHCs. By the time the Rule was finalized, the number of IDIHCS today is considerably smaller – a reflection that the Rule has discouraged growth or entrants in insurance and banking activities.

Treatment of LTD

The Rule's treatment of LTD also has a unique impact on stock ISLHCs. Under the Rule, structurally subordinated LTD issued by a stock ISHLC is not treated as qualifying capital. Instead, the Rule effectively requires the operating insurance subsidiaries to issue surplus notes to raise capital (which is inefficient and does not make practical sense for a ISLHC) or issue subordinated debt (which is significantly more expensive). The investor base for LTD is considerably deeper and more liquid than for surplus notes and subordinated debt.

# Appendix B

## Chart 1
## US Insurance Debt Issuance 2020-2025




*Source: Bloomberg data as of 10.16.2025

Appendix C
Recommended Change to Section 171 Calculation

Section 171 Calculation

Revise 12 CFR § 217.1(g) to read as follows:

> (g) *Depository institution holding companies and treatment of subsidiary state-regulated insurers, regulated foreign subsidiaries, and regulated foreign affiliates* — In complying with the capital adequacy requirements of this part (except for the requirements and calculations of subpart J of this part), including any determination of applicability under § 217.100 or § 217.201, an insurance bank holding company, insurance savings and loan holding company, or insurance mid-tier holding company that is not subject to the common capital framework may elect not to consolidate the assets and liabilities of its subsidiary state-regulated insurers, regulated foreign subsidiaries, and regulated foreign affiliates.

This revision would eliminate the current requirement that a Stock IDIHC that elects not to consolidate the assets and liabilities of its insurance subsidiaries must either deduct its equity investment in the subsidiaries or apply a 400 percent risk weight to the investment.