

September 30, 2014

**Re: Quantitative impact study for firms substantially engaged in insurance underwriting activities**

Your institution is invited to participate in a voluntary data collection exercise sponsored by the Federal Reserve. The data collected through this quantitative impact study (QIS) will be used to analyze the impact of various aspects of the regulatory capital framework, revised by the Federal Reserve Board (the Board) in July 2013 (revised capital rule), on firms substantially engaged in insurance underwriting activities, including savings and loan holding companies and nonbank financial companies supervised by the Board (insurance holding companies).<sup>1</sup>

In June 2012, the Board proposed changes to its regulatory capital framework that would, in part, establish consolidated capital requirements for savings and loan holding companies, including those with substantial insurance underwriting activity (insurance SLHCs).<sup>2</sup> In finalizing the framework in July 2013, the Board excluded insurance SLHCs from application of the revised capital rule pending further consideration of whether and how the proposed requirements should be modified for these companies in a manner consistent with section 171 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and safety and soundness concerns. Section 171 of the Dodd-Frank Act requires, in part, that the Board establish consolidated minimum risk-based and leverage requirements for depository institution holding companies and nonbank financial companies supervised by the Board that are not less than the generally applicable risk-based capital and leverage requirements that apply to insured depository institutions.<sup>3</sup> The QIS is being conducted to allow the Board to better understand how to design a capital framework for insurance holding companies that is compliant with the Collins Amendment. Information collected through the QIS would allow further exploration of areas of concern raised by commenters during the proposal stage of the revised regulatory capital framework rulemaking.

In completing the exercise, firms are asked to follow carefully the QIS instructions and use the assumptions specified in the QIS as appropriate. Information provided via the QIS should be as of year-end 2013, unless noted otherwise for purposes of reporting specific line items. Note that the Federal Reserve may follow-up with participating firms to better understand the information provided in the final submission package.

The QIS template and QIS instructions were developed exclusively for the purposes of this data collection exercise. The QIS data collection and subsequent analysis of that data are not to be construed as an official interpretation of other documents published by the Federal Reserve System or as representing any final decisions regarding implementation of a regulatory capital framework or reporting requirements for the firms in scope. Data and responses provided via the QIS will be used and maintained in a manner that is designed to preserve firm anonymity and confidentiality. The information provided via the QIS may be shared with other regulators and

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<sup>1</sup> 78 FR 198 (October 11, 2013).

<sup>2</sup> 77 FR 52792 (August 30, 2012); 77 FR 52888 (August 30, 2012); 77 FR 52978 (August 30, 2012).

<sup>3</sup> Public Law 111–203, 124 Stat. 1376, 1435–38 (2010).

may be published in aggregate form in a manner that preserves firm anonymity and data confidentiality in connection with the Federal Reserve's supervisory or regulatory duties.

The QIS template and instructions are divided into four parts: (i) Part I: Regulatory Capital Components and Ratios; (ii) Part II: Risk-weighted Assets; (iii) Part III: Separate Account Data; and (iv) Part IV: State-based or Foreign Equivalent Risk-Based Capital Requirements. Parts I and II are based on Federal Reserve's regulatory capital schedule for holding companies (Schedule HC-R of the FR Y-9C), modified as appropriate for the QIS, and ask for consolidated data under Generally Accepted Accounting Principles (GAAP). The QIS instructions for Parts I and II also include guidance on reporting insurance-specific assets, as well as general guidance on expectations for estimating GAAP numbers for companies that produce financial statements based only upon Statutory Accounting Principles (SAP). Firms that produce financial statements based upon SAP only are requested to include narrative responses to certain questions to provide the Federal Reserve with a better understanding of the assumptions used to estimate amounts under GAAP, as well as a breakdown of certain regulatory capital components and insurance-specific assets. Part III collects information on separate account data and the capital requirements under various regulatory regimes. Part IV collects information on state-based and foreign equivalent risk-based capital requirements. In addition, respondents with guaranteed separate accounts, as described in the revised capital rule, are asked to respond to a Separate Account Questionnaire in the Supplemental Response Document to provide additional details on guarantees associated with separate accounts.

Participation in this QIS is voluntary. Recognizing that collecting and reporting this information is time-consuming and will require firms to balance competing priorities, participating firms should undertake this exercise on a best-effort basis and provide information to the fullest extent possible. Please find attached the following documents:

- (1) QIS Instructions,
- (2) QIS Reporting Template, and
- (3) Supplemental Response Document.

Completed QIS materials should be submitted to the Federal Reserve by **December 31, 2014**, or earlier. Participants in this QIS that have any questions regarding this exercise should email their inquiries to the Federal Reserve via the email address provided in the QIS materials. Responses to inquiries will be provided in a timely manner and answers to frequently asked questions will be circulated to all participating institutions, as appropriate.

Please confirm your decision to participate in the QIS by **October 10, 2014**. Please also advise as to whether individuals need to be added or removed from the email distribution list.

Attachments