January 22, 2020

BY EMAIL

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

Regulatory Capital Rules: Risk-Based Capital Requirements for Depository Institution Holding Companies Significantly Engaged in Insurance Activities (Docket No. R-1673; RIN 7100-AF56)

Dear Ladies and Gentlemen:

Ameriprise Financial, Inc. ("Ameriprise")[1] appreciates the opportunity to submit these comments to the Federal Reserve Board ("FRB") on its notice of proposed rulemaking to introduce risk-based capital requirements on certain depository institution holding companies significantly engaged in insurance activities (the "Proposal").[2] As a top-tier depository institution holding company that holds 25% or more of its total consolidated assets in insurance underwriting companies (other than assets associated with insurance underwriting for credit risk), Ameriprise is an insurance savings and loan holding company ("ISLHC") that would be subject to the Proposal's building block approach ("BBA") to consolidated risk-based capital requirements.

We appreciate the FRB's effort to appropriately tailor capital requirements for ISLHCs. The Proposal represents a significant step forward and Ameriprise appreciates the substantial analysis and recognition of the state insurance regulatory framework. Despite this progress, the proposal is formulated with a perspective that references a narrow population of ISLHCs and does not account for other structures that are recognized in the capital markets, including ISLHCs whose top-tier holding companies are non-operating stock holding companies ("Stock

[1] At Ameriprise, we have been helping people feel confident about their financial future for more than 125 years. With extensive advisory, asset management and insurance capabilities 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] 84 Fed. Reg. 57240 (Oct. 24, 2019).

ISLHCs").[3] In that regard, this letter provides recommendations of particular relevance for Stock ISLHCs and, in particular, on the components of qualifying capital under the BBA. We believe that the changes we suggest could effectively achieve the FRB's policy objectives without unduly burdening Stock ISLHCs relative to bank holding companies ("BHC") and ISLHCs with a top-tier parent that is an operating insurance underwriting company. In addition to the comments in this letter, we also support the comments submitted by our industry trade organizations, including the American Council of Life Insurers, the U.S. Chamber of Commerce, the American Property Casualty Insurance Association and The Insurance Coalition, with respect to the interpretation of Section 171 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), the approach to recognizing principles-based reserving and other state permitted and prescribed practices, and not subjecting common stock repurchases to a stand-alone prior approval requirement.

I. The FRB should align the BBA requirements with the banking capital rules, including with respect to recognition of additional tier 1 capital and tier 2 capital

A. The sum of the minimum BBA ratio and the capital conservation buffer should be set at no greater than 395%

The FRB has proposed a minimum BBA ratio of 250% and a capital conservation buffer ("CCB") of 235%, reflecting an aggregate minimum of 485%. As described in The Insurance Coalition letter, we believe that these requirements are overly-conservative and place ISLHCs at a competitive disadvantage to other banking organizations, notwithstanding that ISLHCs' long-term asset-liability profiles present a more stable profile of risks than that of banking organizations, and have historically experienced fewer losses, with lower impact from the insurance industry on the financial system.

Consequently, we recommend that the combined minimum BBA ratio and CCB (should one be deemed necessary) be set at no greater than 395%, as determined by the proposed scaling methodology. This 395% is based on a 160% minimum BBA ratio plus a 235% CCB (and is equivalent to 10.5% under the banking capital rules using the FRB's scaling methodology), though we do not believe the aggregate requirement needs to be allocated between the minimum and buffer in precisely that way.

B. The FRB should permit recognition of tier 2 capital to the same extent as under the banking capital rules

The Proposal would limit "tier 2 capital instruments" to 62.5% of a top-tier parent's "Building Block Capital Requirement" (as defined in § 217.607 of the Proposal). The Proposal explains that this 62.5% "would be one-fourth of available capital at the

[3] *Id.* at 57258 (stating that "the current population of insurance depository institution holding companies has relatively less publicly issued capital or debt instruments compared to stock companies").

minimum requirement under the [FRB]'s banking capital rule, corresponding to 2 percent of risk-weighted assets in the context of the [FRB]'s banking capital rule."[4]

Using the FRB's BBA scaling methodology, however, 62.5% corresponds to a much lower percentage of risk-weighted assets ("RWA") (0.66% of RWA)[5] compared to tier 2 capital under the bank capital rules (2% of RWAs). Consistent with our comments below, we believe ISLHCs should be able to recognize tier 2 capital to the same extent as BHCs (using the banking capital rule's definition of tier 2 capital). Using the FRB's scaling methodology, ISLHCs should be able to satisfy up to 211%[6] of the Building Block Capital Requirement using tier 2 capital instruments (as defined in the banking capital rules, as modified by our approach outlined in Section II below). We further recommend that any limitation on tier 2 capital requirements be phased in over a two-year transition period beginning on January 1, 2021.

C. The FRB should permit recognition of additional tier 1 capital to the same extent as under the banking capital rules

The Proposal would not "reflect or utilize the criteria for additional tier 1 ("AT1") capital under the [FRB]'s banking capital rule."[7] The FRB explained that "the incidence of insurers utilizing capital instruments that meet the criteria of AT1, but not the criteria of common equity tier 1 is not common, and when utilized, does not frequently represent a material *proportion* of the insurer's capital." Instead, AT1 is included as "tier 2 capital instruments" subject to the general limitation that such instruments not be used to satisfy more than 62.5% of an ISLHC's Building Block Capital Requirement. In contrast, AT1 can be 18.75% of a BHC's total capital requirement of 8%.[8]

Although Stock ISLHCs currently do not utilize significant amounts of AT1 in their capital structures, Stock ISLHCs are not currently subject to consolidated capital requirements by the FRB, and have historically had no need for such an additional capital layer. Indeed, preferred stock and other forms of AT1 would provide additional flexibility for Stock ISLHCs as a form of capital that is incrementally less expensive than common stock, but still sufficiently loss-absorbing on a going-concern basis. The lack of a separate category for AT1 would further exacerbate any disparities between Stock ISLHCs and BHCs (which are typically organized as

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[4] *Id.* at 57260, note 75.

[5] In particular, 62.5% corresponds to 0.66% of RWA under the banking capital rules (.625 * 0.0106 = 0.6625%).

[6] In particular, 25% of 8.95% is 2.2375%. Converting that to banking capital using the FRB's scaling methodology results in 211% (.022375 * .0106 = 211%). This assumes a 250% minimum BBA requirement, which corresponds to a banking capital requirement of 8.95%.

[7] 84 Fed. Reg. at 57260, note 76.

[8] In particular, AT1 can be 1.5% of RWA of a BHC's tier 1 capital requirement, which can be expressed as 18.75% of a BHC's total capital requirement of 8%.

stock companies), if circumstances were to evolve and Stock ISLHCs become required to rely on AT1.[9]

Accordingly, we believe that ISLHCs should be able to recognize AT1 (and tier 2 capital)[10] to the same extent as BHCs. In particular, ISLHCs should be able to satisfy up to 369%[11] of their Building Block Capital Requirement using AT1 or tier 2 capital instruments. Although this might imply that the entire minimum BBA requirement could be satisfied with AT1 or tier 2 capital, this result would not suggest that an ISLHC would not be required to hold common equity tier 1 capital ("CET1").

In particular, the CCB would be required to consist entirely of CET1. In addition, the FRB's scaling methodology implies that an ISLHC with no BBA available capital could still hold significant amounts of CET1,[12] due to the relative conservatism of U.S. Statutory Accounting Principles ("SAP") compared to U.S. Generally Accepted Accounting Principles ("GAAP").[13]

Notably, SAP is most relevant for insurance regulators in determining the value of an insurance company on a "gone concern" and measuring the liquidation value of an insurance company.[14] For example, only certain assets are recognizable on a SAP basis; other assets must be charged against surplus when acquired or when their availability otherwise becomes questionable. In contrast, GAAP is meant to offer a more accurate "going concern" portrayal of a firm's consolidated operations for the benefit of investors, creditors, underwriters, rating agencies and other third-party users of financial statements. Consequently, a firm that satisfied our proposed BBA requirement (including CCB) of (no greater than) 395% would have significant amounts of CET1.

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[9] For example, Canadian banks and insurance companies often rely on preferred stock to satisfy tier 1 capital requirements.

[10] The Proposal defines "tier 2 capital instruments" to include both AT1 and tier 2 capital instruments, as defined under the banking capital rules. As used in this letter, tier 2 capital refers to tier 2 capital instruments as defined under the banking capital rules.

[11] AT1 and tier 2 capital combined can be 3.5% of RWA (43.75% of a BHC's total capital requirement of 8%). 43.75% of 8.95% is 3.916%. Converting that to banking capital using the FRB's scaling methodology results in 369% (0.03916 / 0.0106 = 369%). This assumes a 250% minimum BBA requirement, which corresponds to a banking capital requirement of 8.95%.

[12] The FRB's scaling methodology implies that a 0% BBA is equivalent to a 6.3% banking capital ratio (6.3% is equivalent to 594% under the BBA scaling methodology).

[13] It is important for any U.S. insurance capital standard to appropriately account for GAAP and SAP. Letter from 42 Senators to Vice Chair for Supervision Randal K. Quarles, dated May 13, 2019.

[14] The FRB acknowledged in the preamble to the Proposal that "U.S. SAP is generally more conservative, based on a liquidation (realizable value or gone concern) assumption. To reflect accounting differences such as these, the proposed scaling approach scales available capital in addition to the capital requirement." 84 Fed. Reg. at 57255.

We further recommend that any limitation on AT1 or tier 2 capital requirements be phased in over at least a two-year transition period beginning on January 1, 2021.[15]

II. The FRB should recognize the role of long-term senior debt as enhancing qualifying capital

Under the Proposal, long-term unsecured senior debt instruments ("LTD") issued by a Stock ISLHC would not be "qualifying capital instruments" because they would not be contractually subordinated to the general creditors of such an ISLHC. Moreover, the Proposal would require an ISLHC "building block parent" to deduct any investments in its subsidiary building block capital instruments from its own available capital, effectively eliminating the effect of double leverage.[16] Consequently, a non-operating ISLHC that raised LTD to provide capital for its subsidiary insurance underwriting companies would not be able to recognize the benefits of the LTD as qualifying capital under the BBA.

As described in additional detail below, LTD plays an important role for Stock ISLHCs and mutual holding companies and provides a supplemental loss-absorbing cushion to CET1. Although the BBA recognizes that certain forms of indebtedness, including surplus notes, may be qualifying capital, such recognition would be most helpful for mutual insurance companies and other insurance groups where the top-tier parent is an insurance underwriting company. This approach would not recognize common practices used by Stock ISLHCs, which rely on LTD to raise funds in the capital markets. Requiring Stock ISLHCs 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. In particular, the investor base for senior debt is considerably deeper and more liquid than for surplus notes, the latter of which consists primarily of insurance investors. 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. For more detail on the liquidity and depth of the senior debt market for insurance companies, refer to Appendix A. Moreover, requiring Stock ISLHCs 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 top-tier holding company level is available to absorb losses across the group.

Ultimately, the economic, rather than legal, form of capital should be the most relevant consideration as to whether an instrument is qualifying capital. Moreover,

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[15] When implementing the Basel III framework, the FRB provided transitions for banking organizations that ranged from permanent grandfathering, to three- or ten-year phase-outs for non-qualifying instruments (including trust preferred securities), depending on the size and complexity of the banking organization. *See* 78 Fed. Reg. 62018, 62025 (Oct. 11, 2013).

[16] *See* 84 Fed. Reg. at 57257. Double leverage refers to a practice in which a holding company raises funds in credit markets and "downstreams" 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.

the FRB should recognize as a key principle that a firm should not be penalized based on its organizational structure and well-established market practices associated with those structures. As a corollary, this means the definition of "qualifying capital" should not impact whether firms decide to broaden the availability of insured savings and loan products to American consumers and small businesses.

Below, we provide more background on how Stock ISLHCs use LTD in their capital structures, as well as the potential impact of the Proposal. We then describe our proposal for recognizing the benefits of such LTD and why our proposal is consistent with the FRB's policy objectives and statutory mandate without adding any undesirable incentives or otherwise promoting regulatory arbitrage. We also explain why our approach is consistent with other regulatory approaches, and satisfies the goal of not "front running" the development of a group capital calculation ("GCC") by various insurance supervisory bodies.

A. LTD provides supplemental loss absorption

Rather than raising capital directly, insurance underwriting and other subsidiaries of Stock ISLHCs often access capital markets indirectly via their holding companies. In particular, Stock ISLHCs often provide equity capital to their subsidiaries by down-streaming LTD sold at the parent level. Because debt financing is a more readily accessible source of capital than equity, at appreciably lower cost (*see* Appendix A), and because interest expense is generally tax-deductible (whereas dividends on stock are not), this "double-leveraging" allows Stock ISLHCs to compete with ISLHCs that are insurance underwriting companies that issue surplus notes, which also are less expensive than equity.

In particular, a debt instrument issued by a non-operating holding company is "structurally subordinated," because the policyholders and other general creditors of insurance underwriting subsidiaries would need to be paid before funds can be distributed to the parent holding company. Although structural subordination applies to virtually all U.S. corporations,[17] its protections are further enhanced by the overlay of insurance regulation, which places significant limits on dividends from insurance underwriting companies.[18] Structural subordination therefore ensures creditors of the holding company are truly subordinated to creditors at the operating subsidiary,

[17] Structural subordination has a long pedigree in U.S. case law. *See* Wittenberg v. Federal Mining & Smelting Co., 138 A. 352, 353 (1927); Morris v. Standard Gas & Elec. Co., 63 A.2d 577, 581 (1949) (interpreting DGCL § 170(a)(2) that dividends may only be paid if the current value of the corporation's net assets is above zero).

[18] *See* NAIC Model Insurance Holding Company System Regulatory Act § 5.A(1)(f) ([an] insurer's surplus as regards policyholders following any dividends or distributions to shareholder affiliates shall be reasonable in relation to the insurer's outstanding liabilities and adequate to meet its financial needs."); § 5.B. ("No domestic insurer shall pay any extraordinary dividend or make any other extraordinary distribution to its shareholders until thirty (30) days after the commissioner has received notice of the declaration thereof and has not within that period disapproved the payment, or until the commissioner has approved the payment within the thirty-day period."). In the context of a holding company having issued senior debt, the state dividend review requirement above effectively mirrors the regulatory approval requirement for payments on surplus notes issued by an insurer.

which protects policyholders and other creditors of the going-concern operating companies. As a result, the investment grade rating for debt issued by a non-operating holding company is typically 2 to 3 notches below the claims paying or financial strength rating of an insurance underwriting company.[19] Moreover, the investment grade rating for senior debt issued by a global systemically important BHC ("GSIB") is typically only 1 to 2 notches above the rating of such GSIB's tier 2-compliant subordinated debt (*see* Appendix C). This notching implies that: (1) structural subordination is more significant for insurance groups than contractual subordination for BHCs; 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.

Yet, whereas surplus notes are includable as qualifying capital under the Proposal subject to certain transitions, the Proposal does not provide any recognition of senior debt. If finalized as proposed, the Proposal would require Stock ISLHCs like Ameriprise to raise subordinated debt or other forms of more expensive capital (relative to surplus notes).[20]

B. The BBA should recognize the benefits of LTD as enhancing qualifying capital

We recommend that the BBA recognize the benefits of LTD by reducing the deduction for a top-tier building block parent's investments in the capital instruments of a subsidiary building block holding company whose applicable capital framework is National Association of Insurance Commissioners ("NAIC") risk-based capital by the amount of LTD issued by the top-tier building block parent that meets certain criteria. This reduction of the deduction could be limited in several ways.

	Limitation	**Explanation**
1	LTD could be required to meet the criteria for qualifying capital instruments other than prong (ii) of the definition (regarding subordination) for tier 2 capital instruments (any such LTD, "Qualifying LTD").	This limitation ensures that Qualifying LTD is able to absorb losses on a long-term basis and otherwise meets the requirements for recognition of debt instruments in other FRB prudential contexts.
2	The reduction of the deduction could only be applied to satisfy an	This requirement ensures parity with banking capital requirements

[19] This notching currently results in approximately a 52 basis point premium. *See* Appendix B (Figure 1).

[20] For example, the average subordination premium of large U.S. insurance companies (the difference between senior debt and subordinated debt) currently stands at approximately 147 basis points, which is far larger than the 52 basis point premium implied by structural subordination. The higher differential can be attributed to additional features in contractually subordinated debt, including payment flexibility, creditor's rights, maturity, call options/redemption rights and liquidity. *See* Appendix B (Figure 2).

	ISLHC's Building Block Capital Requirements arising from insurance building blocks.	and avoids opportunities for regulatory arbitrage by ensuring that LTD is not used to satisfy bank capital requirements.
3	Any amount of qualifying capital that resulted from the reduction of the deduction could count as tier 2 capital for purposes of the AT1 and tier 2 limits (as modified in Section I above).	This requirement reinforces the similarity between structurally subordinated LTD and contractually subordinated debt.[21]
4	The deduction could be available only for top-tier ISLHCs for which more than 50% of assets (on a stand-alone basis) are in the form of subsidiary capital instruments.	This requirement ensures that the deduction would only be available to non-operating companies, and that LTD would not be used to finance significant substantive activities.

To illustrate how the deduction would work, suppose a top-tier stock ISLHC held $3 billion in common stock in its insurance company subsidiaries, and has $1 billion of outstanding Qualifying LTD. Under our approach, the ISLHC would be required to deduct the $3 billion investment when calculating the available capital for its building block.

If the ISLHC had significant insurance activities, *e.g.*, $2 billion in Building Block Capital Requirement, it could use the $1 billion in Qualifying LTD to reduce the $3 billion deduction to $2 billion. The $1 billion in common stock that would no longer be deducted would be available capital for the ISLHC, but would count as tier 2 capital and, thus, would be subject to limits on AT1 and tier 2 capital (as modified by Section I above).

If the ISLHC has less significant insurance activities, *e.g.*, $500 million in Building Block Capital Requirement, it could only use $500 million of the $1 billion in Qualifying LTD to reduce the $3 billion deduction. That $500 million of common stock would be available capital, and again would count as tier 2 capital and would be subject to the limits on AT1 and tier 2 capital (as modified by Section I above).

As described below, our proposal for recognizing LTD is consistent with the FRB's policy objectives and statutory mandates, including Section 171 of the Dodd-Frank Act. Our proposal is also consistent with how other regulatory bodies have started to think about the role of LTD as regulatory capital.

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[21] Similarly, any such capital would not qualify as tier 1 capital for any other purpose, *e.g.*, tier 1 capital requirements for state or federally chartered banks or savings associations applying to be primary dealer counterparties to the Federal Reserve Bank of New York.

1. *Our approach is consistent with Section 171 and FRB historical practices regarding LTD*

We support The Insurance Coalition's position that Section 171 does not mandate a separate calculation, and that the BBA alone would satisfy the requirements of Section 171. Our approach would be fully consistent with that position and the FRB's mandate under Section 171 of the Dodd-Frank Act. Section 171 requires the FRB to establish minimum risk-based capital requirements for all depository institution holding companies, including ISLHCs. At its core, Section 171 contains two separate requirements related to these minimum capital requirements.

First, these minimum capital requirements may not be less than the "generally applicable" capital requirements for insured depository institutions then in effect under the regulations implementing the prompt corrective action ("PCA") framework of Section 38 of the Federal Deposit Insurance Act, without regard to total consolidated assets or foreign financial exposures.

Second, the minimum capital requirement may not be "quantitatively lower" than the "generally applicable" capital requirements in effect for insured depository institutions under the PCA framework as of July 21, 2010 (the enactment date of the Dodd-Frank Act).[22] For these purposes, "generally applicable" requirements include "the regulatory capital components in the numerator of those capital requirements," as well as "the required ratio of the numerator to the denominator."[23]

Importantly, our proposal would not require the FRB to vary its definition of capital from the "generally applicable" standardized approach such that the BBA might be deemed "less than" those requirements, either with respect to the components of the numerator or denominator, or the required ratios. In fact, our proposal is fully consistent with the FRB's historical practice of not recognizing LTD as qualifying capital (and consistent with the approach to Section 171 as set out in The Insurance Coalition letter). Under our proposal, we are simply proposing that the FRB permit some recognition of capital supported through double-leverage in the form of structurally subordinated LTD.

2. *Our approach avoids regulatory arbitrage*

Our proposal also is designed to discourage regulatory arbitrage. For example, the requirement that an ISLHC may only reduce the deduction to satisfy insurance-driven capital requirements (within an insurance building block), combined with the requirement to identify material financial entities as building block parents reduces incentives to engage in corporate restructuring to optimize capital requirements. Any restructuring designed to shift the balance of capital requirements from bank building blocks to insurance building blocks in order to take advantage of the proposed reduction would be non-material by design. For example, an ISLHC that

[22] At such time, the generally applicable risk-based capital requirement was a modified form of Basel I (standardized approach).

[23] 12 U.S.C. § 5371(a)(2)(B).

restructured by moving a significant bank building block subsidiary beneath an insurance building block would have to evaluate whether such a subsidiary is a "material financial entity." If such a subsidiary were so deemed, then the subsidiary would be subject to bank Building Block Capital Requirements. Our approach therefore discourages internal reorganizations motivated solely by a desire to arbitrage between insurance requirements (for which our approach would provide some recognition of the benefits of senior debt) and banking requirements (for which our approach would not provide any recognition).

In addition, the proposed reduction would only be available to top-tier ISLHCs for which more than 50% of assets (on a stand-alone basis) are in the form of subsidiary capital instruments, *i.e.*, clean holding companies. This requirement ensures that the deduction would only be available to non-operating companies, and that LTD would not be used to finance significant substantive activities.

Finally, the reduction would only be available to depository institution holding companies significantly engaged in insurance activities. A BHC is highly unlikely to acquire an insurance company simply to be able to take advantage of recognizing the benefits of LTD (and would enjoy limited benefits from doing so, given the first paragraph of this Section II.B.2).[24] Moreover, any acquisition by a financial holding company likely would be so large as to require significant equity financing, and likely would require prior approval from the FRB under the Bank Holding Company Act and the Dodd-Frank Act.[25] Further, a BHC with a national bank or other commercial bank subsidiary would have to significantly limit the scope of its commercial banking activities in order to qualify as a savings and loan holding company. In particular, it could no longer engage in corporate or syndicated lending, trade finance, etc., and would have to comply with the "qualified thrift lender" test.[26]

3. *Our approach is consistent with other regulatory approaches to recognizing LTD*

Finally, we note that other supervisors and stakeholders have recognized the benefits of senior debt as a form of capital. For example, the NAIC has concluded that senior debt should play a role in insurance holding company capital adequacy.[27] Similarly, rating agencies have long recognized the salutary effects of structural subordination.[28]

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[24] We note that no firm has acquired an insurance company to take advantage of the carve-out from capital requirements for such depository institution holding companies that has been in effect since Basel III implementation in the United States.

[25] 12 U.S.C. § 1843(k)(6)(B)(ii); Dodd-Frank Act Section 163(b) (codified at 12 U.S.C. § 5363(b).

[26] *See* Section 10(m) of the Home Owners' Loan Act (12 U.S.C. § 1467a(m)).

[27] *See* Summary of Group Capital Calculation (E) Working Group Conference Call of October 30, 2019.

[28] *See also* A.M. Best Methodology, Insurance Holding Company and Debt Ratings (May 6, 2014) (explaining that holding company ratings are typically 2-3 notches below operating company ratings); Standard & Poor's, General Criteria: Group Rating Methodology (July 1, 2019) ("For holding companies

Moreover, based on early indications, our proposal appears to be more conservative than the approach the International Association of Insurance Supervisors ("IAIS") and GCC are expected to take regarding recognition of senior debt. In that regard, we note that it will be important that the FRB's approach to recognizing LTD under the BBA should not be significantly more conservative than the approach taken by the IAIS or GCC, as such conservatism could be seen as "front-running" the development of any such GCC.[29]

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If the FRB 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.

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of insurance groups, the ICR is generally: - Two notches lower than the GCP if potential regulatory restrictions to payments are considered low in jurisdictions accounting for the majority of distributions (typically as measured by dividends, cash flows, or earnings) from operating entities to the holding company; or - Three notches lower than the GCP if potential regulatory restrictions to payments are considered high in jurisdictions accounting for the majority of distributions (typically as measured by dividends, cash flows, or earnings) from operating entities to the holding company").

[29] The NAIC Group Capital Calculation (E) Working Group has been charged with finalizing the GCC by the 2020 Summer National Meeting. *See* https://content.naic.org/cmte_e_grp_capital_wg.htm.

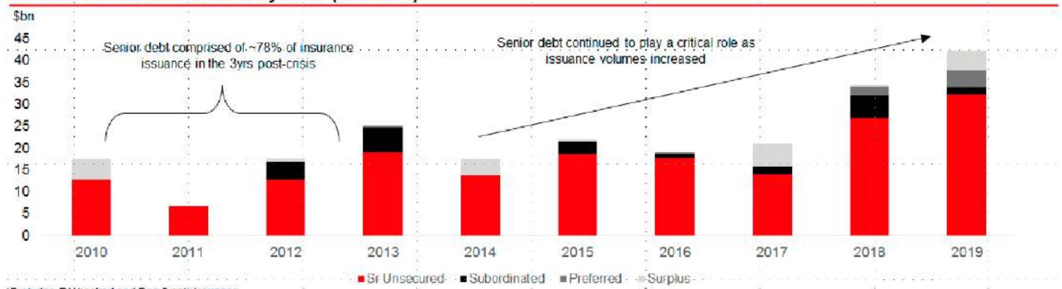
Respectfully Submitted,

Walter S. Berman

Walter S. Berman
Executive Vice President and Chief Financial Officer
Ameriprise Financial, Inc.

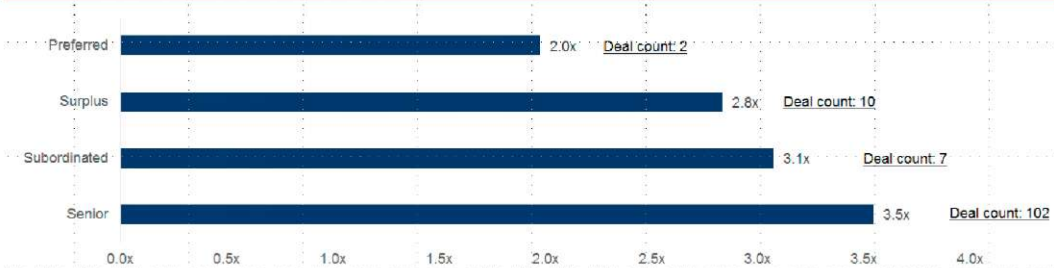
Appendix A

Historical US Insurance Issuance by Rank* (2010-2019)



*Excludes FA-backed and Reg S only issuance
Source: Bloomberg, HSBC

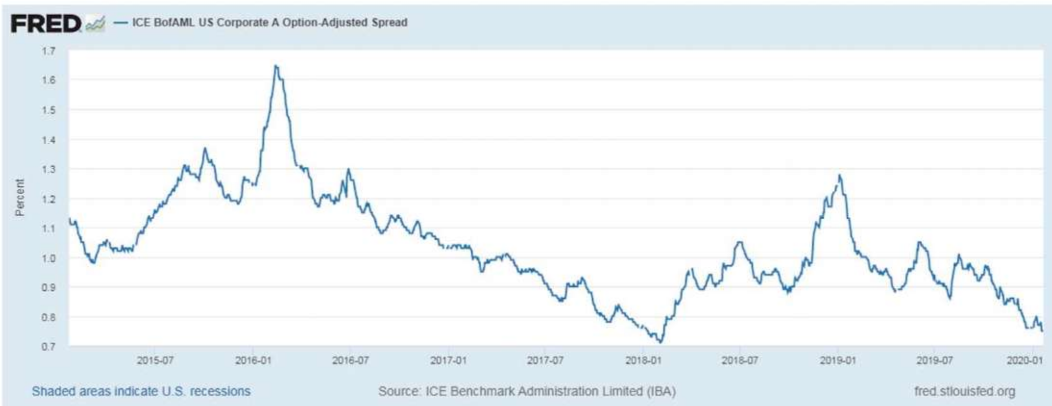
Average Orderbook Oversubscription Across Instrument Rank* (2017-2019)



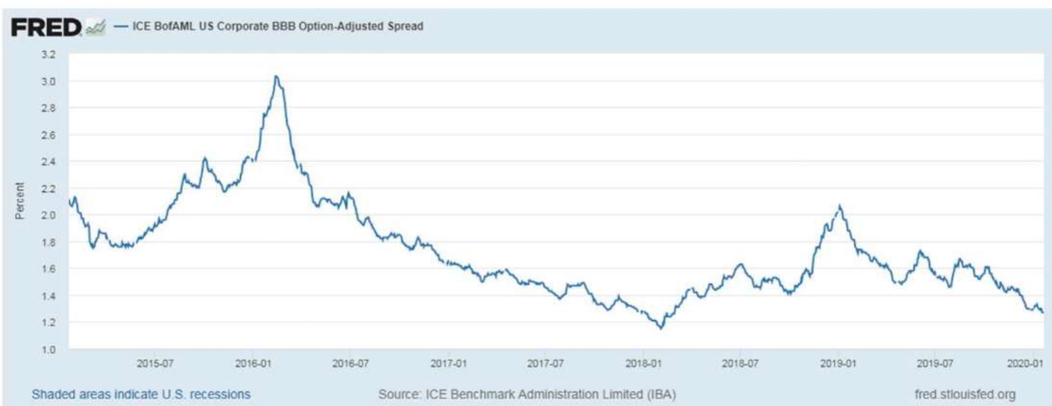
*Excludes FA-backed, Reg S only, exchanged issues, and retail issuance; data only includes public orderbook figures as reported by the financial press
Source: Informa

Appendix B

Figure 1: Federal Reserve Bank of St. Louis Option-Adjusted Spread (Corporate A and BBB)

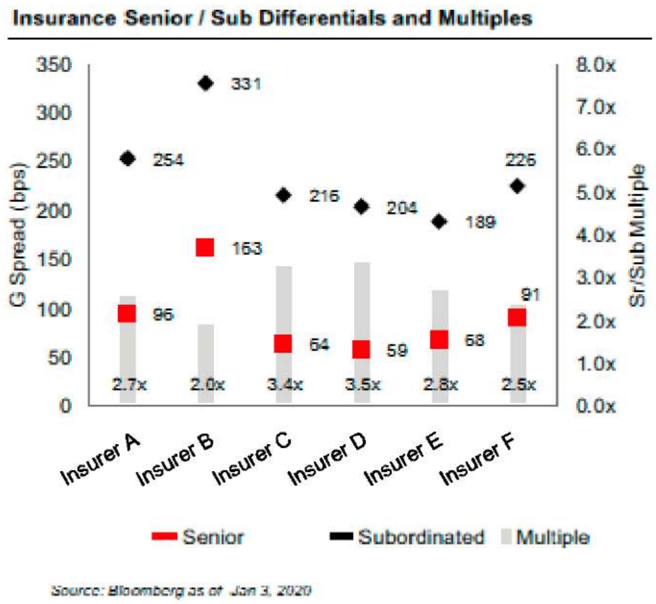


*As of January 20, 2020 the spread was 75 basis points.



*As of January 20, 2020 the spread was 127 basis points.

Figure 2: Contractual Subordination Premiums for Select Large Insurers (Redacted)



	Insurer A	Insurer B	Insurer C	Insurer D	Insurer E	Insurer F	Average
Senior Debt Spread (bps)	254	331	216	204	189	226	236.67
Subordinated Debt Spread (bps)	96	163	64	59	68	91	90.17
Difference (bps)	158	168	152	145	121	135	**146.5**

Appendix C

	Senior		Tier 2		Differential	
GSIB (Redacted)	**Moody's**	**S&P**	**Moody's**	**S&P**	**Moody's**	**S&P**
GSIB A	A2	A-	Baa1	BBB+	-2	-1
GSIB B	A1	A	A2	A-	-1	-1
GSIB C	A3	BBB+	Baa2	BBB	-2	-1
GSIB D	A3	BBB+	Baa2	BBB-	-2	-2
GSIB E	A2	A-	A3	BBB+	-1	-1
GSIB F	A3	BBB+	Baa2	BBB	-2	-1
GSIB G	A1	A	A2	A-	-1	-2
GSIB H	A2	A-	A3	BBB+	-1	-1