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CHAIRMAN'S  
CORRESPONDENCE UNIT

**Congress of the United States**  
**Washington, DC 20515**

January 27, 2012

Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Honorable Mary L. Schapiro  
Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Honorable Martin J. Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Honorable John G. Walsh  
Acting Comptroller of the Currency  
Office of the Comptroller of the Currency  
Department of Treasury  
250 E Street, SW, Mail Stop 2-3  
Washington, DC 20219

Dear Chairman Bernanke, Chairman Schapiro, Acting Chairman Gruenberg, and Acting Comptroller Walsh:

We are writing to express our concerns about provisions included in the recently proposed regulations issued jointly by your respective Agencies, which would implement the "Volcker Rule" provisions outlined in Section 619 of the Dodd-Frank Act. In light of recent statements made at the House Financial Services Committee's joint hearing entitled "Examining the Impact of the Volcker Rule on Markets, Businesses, Investors and Job Creation," we are concerned about how the proposed regulations will affect certain investments made by insurers. Specifically, we want to emphasize that Congress did not intend to prohibit insurance companies from investing in covered funds for their general accounts and we encourage the regulators to make this intent clear in the final rule.

Section 619(d)(1)(F) of the Dodd-Frank Act includes trading in an insurance company's general account as a "permitted activity and, by its terms, exempts permitted activities from both the "proprietary trading" and "covered fund" restrictions of the Volcker Rule. While the proposed regulation provides an exemption from the proprietary trading restrictions for insurer general accounts, this exemption does not expressly extend to allowing the general account to hold an ownership interest in a covered fund. In addition, the proposed rule defines covered funds in a way that appears to essentially designate all private equity funds as covered funds.

It is important to note that state investment laws applicable to insurance companies domiciled in that state already impose rigorous limitations on the categories of investments insurance companies may hold, including investments in covered funds. State insurance regulators establish conservative limits on the percentage of assets that an insurer may invest in equities and generally stipulate further limitations on investments in

non-exchange traded equity investments. Regulators also have comprehensive regulatory and reporting regimes for examining an insurer's investment activities and guarding against excessive risk taking in their investment portfolios. State insurance laws recognize that private equity fund investments are widely utilized by insurers to diversify their investment portfolios, both for the benefit of their general accounts and on behalf of customers (including in separate accounts). Private equity fund investments generally offer a long-term investment horizon and, therefore, are an integral tool for ensuring adequate returns for policyholders over extended periods.

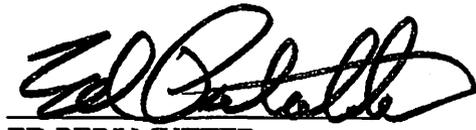
It appears from the recent hearing that the Agencies may exclude covered funds from the insurer exemption. We believe it is imperative that, as the Agencies move forward, they follow Congressional intent and permit insurance companies to continue investing in covered funds for their general accounts. We also request the Agencies confirm, prior to releasing the final rule scheduled in the spring 2012, they will follow this intent. There would be little benefit to restricting these types of investments for insurers (particularly as state insurance laws already serve to impose diversification requirements on insurers). Including investments in covered funds within the exemption for insurers would follow the directive included in Section 619 of the Dodd-Frank Act to "appropriately accommodate the business of insurance." It is our hope the final regulations do not result in any disruption for insurers.

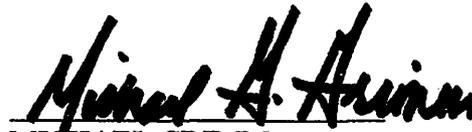
Thank you for your consideration of this request. Please feel free to contact us to discuss this issue further.

Sincerely,

  
CAROLYN McCARTHY  
Member of Congress

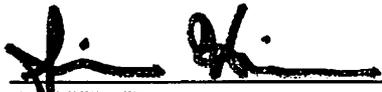
  
JUDY BIGGERT  
Member of Congress

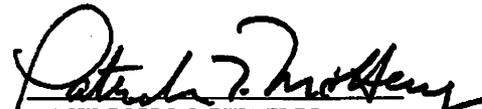
  
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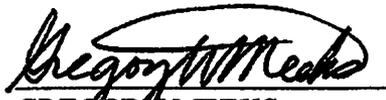
  
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