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October 31, 2011

BY ELECTRONIC MAIL

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Proposed Agency Information Collection Activities; Comment Request
76 Fed. Reg. 53129 (August 25, 2011)—FR. Doc. 2011-21736

Dear Ms. Johnson:

We are writing on behalf of The Auto Club Group ("ACG") and Auto Club Trust, F.S.B. (the "Bank"), in response to the Board of Governors of the Federal Reserve System's (the "Board") newly proposed information collection framework, 76 Fed. Reg. 53129 (August 25, 2011) (the "Proposal") for savings and loan holding companies ("SLHCs"). We welcome the opportunity to comment on the Proposal and we appreciate the Board's recognition of the unique circumstances facing federal savings banks and their holding companies. For the reasons discussed below, we believe that the reporting framework outlined in the Proposal would impose undue burdens on certain institutions, including ACG, the Bank and their affiliates.

I. Background

The Bank, a federal savings bank, was initially organized as a limited purpose trust-only federal savings bank on November 30, 1999. The Bank's authority to expand its business activities and become a full-service bank was approved by the Office of Thrift Supervision ("OTS") on May 3, 2011. The Bank is owned by three related holding companies. Approximately 99.1% of the Bank's shares are owned by the Auto Club Insurance Association ("ACIA"). The remaining .9% of the Bank's shares are owned by the Auto Club Group ("ACG") through its wholly owned subsidiary Auto Club Services,

Inc. (“ACS”). ACIA, ACS and ACG are each a grandfathered unitary savings and loan holding company (a “Grandfathered SLHC”) under Title IV of the Gramm-Leach-Bliley Act of 1999 and Section 10(c)(9)(C) of the Home Owners’ Loan Act.

ACIA is a Michigan reciprocal inter-insurance exchange, which is similar to a mutual; ACG is a non-profit membership organization; and ACS is ACG’s wholly owned stock subsidiary servicing and processing corporation. ACG is one of the independently operated motor clubs licensed and accredited under the umbrella of the American Automobile Association federation (“AAA”).

The Bank maintains total assets of approximately \$70.1 million compared to approximately \$3.4 billion for ACIA and \$489.3 million for ACG, in each case as of September 30, 2011.

II. Overview

If implemented, the Proposal would require SLHCs (subject to certain exceptions discussed in this letter) to utilize the same reporting framework—the FR Y form series—as bank holding companies (“BHCs”). We recognize that the Board’s objective in formulating the reporting requirements outlined in the Proposal was to create a single framework by which both BHCs and SLHCs could be evaluated. However, while some degree of consistency can certainly be obtained by requiring all depository holding companies to report on the same forms, we believe that for certain categories of SLHCs, the Proposal’s requirements may actually lessen the effectiveness of the information provided to the Board¹ and create significant costs and burdens for these institutions.

Indeed, as the Board recognized in the Proposal, not all of the FR Y series forms are suitable for all categories of SLHCs. Specifically, the Proposal would not require, initially at least and until further notified, (i) Grandfathered SLHCs whose assets are less than 5% of the total consolidated assets of the SLHC (“Exempt Grandfathered SLHCs”), or (ii) SLHC structures with an insurance company as the top-tier holding company (“Insurance SLHCs”) that only prepares financial statements in accordance with statutory accounting principles (“SAP”), to file any FR Y series forms *except* FR Y-6 beginning with fiscal years ending on December 31, 2012.

¹ In connection with the Board’s earlier request for comment on this matter (76 Fed. Reg. 7802 (February 8, 2011)), a number of commenters noted that the FR Y series is not well-suited to gathering information on SLHCs, especially Grandfathered SLHCs and Insurance SLHCs. *See, e.g.*, Comment Letter of the National Association of Mutual Insurance Companies (April 8, 2011); Comment Letter of Hawaii Electric Industries, Inc. (April 8, 2011). While not restated in this letter, we support those comments.

In crafting these exemptions, the Board recognized that the unique characteristics of these institutions, including non-banking business activities and other accounting and regulatory features, meant that the burdens of imposing the new reporting requirements outweighed the regulatory benefits to the Board. Thus, the Board recognized that these institutions require different treatment from other types of depository holding companies (e.g., BHCs and more typical SLHCs that engage solely in banking activities).

While we agree with the Board's decision to exempt Exempt Grandfathered SLHCs and Insurance SLHCs, we believe that the exemptions created by the Proposal should be made permanent as modified in accordance with the recommendations set out below.

III. Recommendations

For the reasons outlined below, we recommend that the Proposal be modified as follows:

1. Extend the exemption for Insurance SLHCs to include those holding company structures which have an insurance company at *any* level and not just as the top-tier holding company.
2. Additionally, we recommend the reporting exemptions outlined in the Proposal be made permanent to cover all FR Y series forms, *including* FR Y-6, and that the reporting requirements currently applicable to all SLHCs (Thrift Financial Report, Schedule HC and OTS Form H-(b)11) be maintained in their entirety for Exempt Grandfathered SLHCs and Insurance SLHCs (including the expanded category of Insurance SLHCs).

In the event that the Board rejects these recommendations, then we recommend that the reporting exemptions for Exempt Grandfathered SLHCs and Insurance SLHCs made in the Proposal be implemented as drafted and made permanent.

Finally, if, as suggested in the Proposal, the Board eventually determines to apply all FR Y series reporting requirements to Exempt Grandfathered SLHCs and Insurance SLHCs, we recommend that the Board provide for a suitable transition period, such as three years, for these institutions to develop the necessary reporting systems.

IV. Basis for Recommendations

- A. Extend the exemption afforded to Insurance SLHCs to all SLHC structures with a SAP reporting insurance company at any level

Many Grandfathered SLHCs offer a variety of financial and insurance products to their customers and in these structures a holding company may own both the insurance

company and the thrift (and potentially other business as well) under a top-tier holding company. This is the case with the Bank, ACIA and ACG.

The Board recognized in the Proposal the difficulties created by a reporting framework which would require a SLHC to provide both SAP financials to the applicable state insurance regulator and financials prepared in accordance with generally accepted accounting principles (“GAAP”) to the Board. For this reason, the Board created the exempt category of the Insurance SLHC (i.e., a SLHC with a top-tier insurance holding company). While we fully support the Board’s recognition of this particular issue, we feel that the remedy must extend to those SLHCs which, like ACG, have an insurance company as a lower tier holding company. Under the Proposal, a SLHC in this category would be obligated to prepare both SAP financials and consolidated GAAP financials with its parent and subsidiaries, the exact burden the Board alleviated for Insurance SLHCs. We can identify no policy or administrative justification for making a distinction between an insurance company as a top-tier or intermediate holding company and we urge the Board to exempt the institutions in each of these holding company structures.

B. Extend the exemptions outlined in the Proposal to permit Exempt Grandfathered SLHCs and Insurance SLHCs to not report on FR Y-6

We do not believe that the BHC reporting framework is appropriate for certain categories of SLHCs, including both Exempt Grandfathered SLHCs and Insurance SLHCs. Requiring these types of SLHCs to report on the FR Y series fails to recognize the diverse business activities and financial reporting procedures which are specific to these institutions. While we appreciate that the Proposal contemplates exempting Exempt Grandfathered SLHCs and Insurance SLHCs from most FR Y series reporting requirements, we recommend that this exemption be extended to cover *all* FR Y series forms, including FR Y-6.

The FR Y series has been developed specifically to gather BHC information, enabling the Board to ensure the safety and soundness of these institutions. The various forms request information relating to the banking business and require, in the case of FR Y-6, the filing of consolidated, audited financial statements prepared in accordance with GAAP.² These requirements are entirely appropriate for BHCs (the activities of which are limited under federal law) and the many SLHCs which are more akin to BHCs. However, because of (i) the varied business activities conducted in the typical Grandfathered SLHC structure, and (ii) the common use of non-GAAP financial reporting by these institutions, we urge the Board to reconsider the requirement of the FR Y-6 form for Exempt Grandfathered and Insurance SLHCs.

² Assuming certain asset level thresholds are met.

Were the Board to adopt this recommendation (i.e., exempting Exempt Grandfathered SLHCs from the requirement to file *any* FR Y series form), we would suggest that the current reporting framework applicable to all SLHCs (Thrift Financial Report, Schedule HC and OTS Form H-(b)11) be left in place (with such changes as may be necessary in light of the migration from the Thrift Financial Report to the Call Report). It is our view that this reporting framework is sufficient to permit the Board to meet its supervisory obligations and would not create substantial additional obligations for these institutions.

- C. In the event the Board rejects the recommendations set forth above, we recommend in the alternative that the Board adopt the Proposal on a permanent basis

While we believe that the exemptions contained in the Proposal have been drawn too narrowly, we appreciate the Board's recognition of the issues presented for all SLHCs, including Grandfathered SLHCs and SLHCs incorporating insurance companies into the holding company structure. If the Board determines that it will not extend the Proposal's exempt categories, we recommend that the exemptions be made permanent

We also appreciate—and fully agree with—the Board's recognition that rules of general applicability cannot anticipate and adequately address the varied circumstances and business practices of all SLHCs (especially Grandfathered SLHCs). Thus, we recommend that the Board undertake its proposed case-by-case review of individual SLHCs to determine the suitability for each of standardized Federal Reserve regulatory reports. *See* Proposal, 76 Fed. Reg. 53129, 53133.

The Proposal notes that in the future and after the Board has more familiarity with the regulation of Exempt Grandfathered SLHCs and Insurance SLHCs, it may apply the FR Y series reporting framework to these institutions. Though we do not believe the Board will find it necessary, we recommend that if the Board adopts this approach it do so only after a suitable transition period, such as three years. We believe a transition period of this length would give institutions sufficient time to develop the financial reporting systems necessary to comply with the requirements without creating undue additional burdens.

V. Implications for ACG

We believe that our comments on the Proposal have general applicability. However, the basis for these comments is (i) ACG's recent experience in providing GAAP financial statements, and (ii) the estimated impact that FR Y series reporting would have on ACG and its affiliates.

Like many other Grandfathered SLHCs, ACG has not historically prepared GAAP financials. In large part and like many other Grandfathered SLHCs, this was a result of the fact that the many subsidiaries and affiliates of ACG reported in accordance with different accounting bases. Certain of ACG's subsidiaries, including ACIA, currently report according to SAP. For business reasons in 2010, ACG, for the first time, prepared GAAP financials on an annual consolidated basis. The preparation of GAAP financials was accomplished only after great expense (both in terms of direct costs and personnel utilization). Nonetheless, ACG was able to weigh those costs against the business reasons for producing GAAP financials at that time. However, a significant amount of work remains to be done if ACG were to institutionalize this new reporting procedure on a quarterly and annual basis.

Were the Proposal to be adopted as drafted, this process would be mandated for every Exempt Grandfathered and Insurance SLHC. While ACG was in the fortunate position to undertake this process of its own initiative and at the appropriate time, we do not believe that a similar process should be mandated for Exempt Grandfathered SLHCs or Insurance SLHCs. We do not believe that the costs of these efforts can be justified when the current OTS reporting framework can be maintained going forward.

In the event the Board determines to require FR Y-6 reports from Exempt Grandfathered SLHCs and Insurance SLHCs, we suggest that it do so only after a transition period of sufficient length. Again, this suggestion is based on ACG's recent experience with implementing consolidated GAAP reporting across a diverse institution. Like ACG, institutions undertaking an accounting restructuring will face numerous hurdles in fully restructuring their accounting procedures over a single or even two reporting periods.

As noted above, the Board has also raised the possibility of applying all FR Y series reporting requirements to Exempt Grandfathered SLHCs and Insurance SLHCs. Though we do not believe that the Board will find this step necessary, we note here that this step would be a significant additional burden for these institutions, including ACG. In the event the Board implements such a requirement, we again note the importance of an adequate implementation period, such as three years. Especially given the many other significant regulatory changes facing federal thrifts and depository holding companies, we ask that the Board recognize the real burdens which these reporting requirements would impose, which to some extent can be mitigated by providing an adequate period for implementation.

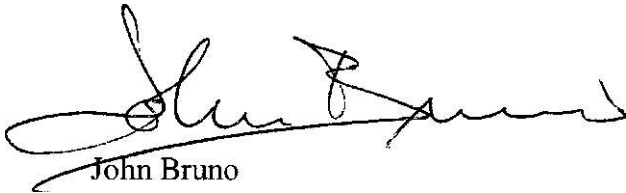
VI. Conclusion

We appreciate the Board's efforts in working with SLHCs to adopt effective procedures to ensure the safe and sound operations of federal thrifts and their holding companies and we appreciate the opportunity to comment on this Proposal.

Please contact the undersigned with any questions about this request at the telephone number or email listed above.

Respectfully submitted,

LOCKE LORD LLP

A handwritten signature in black ink, appearing to read "John Bruno", is written over a horizontal line.

cc: Christine B. Viegas
Vice President, Office of General Counsel
The Auto Club Group