



*James D. Hall*  
Regional Vice President, State Relations

February 13, 2014

The Honorable Angela Williams  
Chair, Business, Labor, Economic, & Workforce Development Committee  
200 East Colfax  
Denver, Colorado 80203

**Re: House Bill 1215 - Federal Home Loan Banks**

Madam Chair and Members of the Committee,

I am writing on behalf of the American Council of Life Insurers (ACLI), a Washington, D.C.-based trade association with more than 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security protection. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums. Two hundred sixty-two ACLI member companies provide financial and retirement security protection to families in Colorado. Ninety-three percent of all life and annuity payments in Colorado are from ACLI member companies and ninety-two percent of total life insurance coverage in Colorado is provided by ACLI members.

This letter is offered in support of HB 1215, the Federal Home Loan Bank (FHLB) proposal regarding the Bank's lending to insurers.

The Federal Housing Finance Agency (FHFA), the regulator for the FHLBs, has been placing increased focus on FHLBs' lending to their insurance company members, particularly with regard to the manner in which their collateral would be treated in receivership. The FHFA has expressed its desire that such collateral be treated in the same manner under state law as collateral on loans to banks is treated under federal law. This increased scrutiny by the FHFA was the impetus for the development of the FHLB amendments embodied in HB 1215.

House Bill 1215 would provide statutory protection to an FHLB from (1) potential "stays" that may be sought by a receiver in order to delay the FHLB from obtaining possession of the collateral and (2) potential "voidable preference" challenges that may be made by a receiver with respect to additional collateral that may have been posted by the insurer.

The Honorable Angela Williams  
February 13, 2014  
Page 2

Specifically, HB 1215 would modify the state's receivership law by expanding the law's exemptions to its "stay" and "avoidance of transfer" provisions to include pledges, security and collateral that are held by an FHLB. The additional exemptions would be inserted into the state's receivership provisions that relate to injunctions and orders (which track Section 108.E of the National Association of Insurance Commissioners' Insurer Receivership Model Act) and voidable preferences and liens (which track Section 604.C of the same Model).

If adopted, the provisions in HB 1215 would provide greater certainty to the FHLB and their insurance company members with regard to how their collateral would be treated in receivership. This, in turn, should (1) eliminate any need for a FHLB to increase collateral requirements on its insurer borrowers and (2) result in continued, and possibly even expanded, lending to insurers. Access to FHLB credit is an important source of capital for insurers during both stable and uncertain economic times.

Thank you for the opportunity to offer comments on this important proposal and we urge the Committee's favorable recommendation.

Respectfully submitted,

A handwritten signature in black ink that reads "James D. Hall". The signature is written in a cursive, flowing style with a large initial "J".

James D. Hall