JACKSON®
NATIONAL LIFE INSURANCE COMPANY

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Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 7th Street, SW
Washington, D.C. 20024

Re: Advance Notice of Proposed Rulemaking; Request for Comments – Members of the Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

Thank you for the opportunity to submit comments on the Advance Notice of Proposed Rulemaking ("ANPR") in which the Federal Housing Finance Authority ("FHFA") has expressed its desire to review the nexus between Federal Home Loan Bank ("FHLBank") membership requirements and the FHLBank's housing finance and community development mission established by Congress. On behalf of Jackson National Life Insurance Company ("Jackson"), and its wholly owned captive insurance subsidiary Squire Re, each members of the Federal Home Loan Bank of Indianapolis ("FHLBI"), I am submitting this comment to address the issues raised by the ANPR with regard to both captive and direct insurers as well as potentially revising the membership requirements and continuing obligations of FHLBank members.

By way of background, insurance companies have traditionally been welcomed as members of their respective regional FHLBanks since the inception of the FHLBank Act in 1932 as a result of their historical and, in many cases, continued direct participation in the issuance of, or investment in, residential home loans. Insurance companies are a significant and valuable part of the FHLBank System, representing 10 percent of outstanding combined advances and 8 percent of FHLBank capital stock as of September 30, 2010.

Insurance companies continue to play a significant role in our housing market by serving as a primary source of lending for home loans principally through holdings of substantial amounts of direct residential mortgages and agency debt supporting the mortgage market as a component of their long-term investment portfolios. As an example, the U.S. life insurance industry had nearly half a trillion dollars invested in residential mortgage related securities as of December 31, 2013. Finally, Jackson and other life insurance companies work closely with the FHLBank to identify opportunities to participate in the FHLBank's redevelopment and charitable initiatives. These efforts, including Habitat for Humanity and FHLBank's Community Investment Program, which offer below market rate advances to members for financing housing and economic development benefitting low and moderate income families, are a direct result of Jackson's membership in the FHLBI.

With regard to the ANPR inquiry into captive insurers, it should be noted that a captive insurer in Michigan must be licensed by the State of Michigan Department of Insurance and Financial Services, and is subject to the same continuing regulatory requirements, restrictions and obligations (including financial examination and reporting requirements) of any non-captive insurance company. These regulations effectively work to ensure that captive insurers are financially solvent, compliant with state and federal law, and generally entitled to the public confidence. Accordingly, Jackson believes that the regulatory framework in Michigan certainly subjects captive insurers to the degree of supervision and examination contemplated by Section 4(a)(1)(B) of the FHLBank Act. Further, since Jackson is also a member of the FHLBI, there clearly is no intent for any of its captives, such as Squire Re, to serve as a conduit to provide advances to it or otherwise circumvent the regulatory framework established by the FHLBank Act. Overall, Jackson does not believe that captive insurers such as Squire Re should be subject to any different membership restrictions or eligibility than other life insurers under the FHLBank Act.

Jackson also wishes to respond to the questions raised by FHFA in the ANPR concerning direct insurers. The questions suggest that FHFA is considering reversing Congressional intent as set forth in the FHLBank Act by subjecting insurance companies to the requirement that they hold at least 10 percent of their total assets in residential mortgage related investments, a requirement that currently only applies to insured depository institutions. Alternatively, if the 10 percent residential mortgage loan requirement is not applied to insurance companies, the FHFA is considering establishing other minimum levels of mortgage-related commitments that may be deemed to constitute a sufficient level of support of housing finance for continued FHLBank membership. Finally, the questions suggest that objective and quantifiable standards could be established for the requirements that each member make long-term home mortgage loans and has a "home financing policy" on a continuing basis. Noncompliance with these new proposed rules could result in restriction to member's access to their respective FHLBank facilities or termination of their membership.

Jackson is unaware of any problem in the current regulatory structure to justify this proposed radical reform, nor has Jackson identified in its review of the ANPR any compelling reason for imposing new membership criteria and regulations. Jackson believes that existing membership requirements are well aligned to support the mission of the FHLB and its regional FHLBanks. As an example, in order to have access to FHLBank facilities, members have to make an equity investment in their respective FHLBank and the advance capacity is directly correlated with equity investment. Additionally, advance capacity is required to be collaterized by qualifying mortgage related investments made by the member.

Jackson believes the proposed amendments to the FHLBank membership standards may adversely affect the operations and investment portfolios of insurers who would choose to remain members of the FHLBank. Insurance companies are subject to significant regulatory oversight that is principally focused at protecting the interests of their policyholders. As a practical matter, it would be difficult for an insurer to predict with any degree of certainty its ability to acquire and effectively maintain limits of its investments in residential mortgage related investments and still satisfy its insurance regulatory obligations regarding risk diversification and the related impact on the insurers risk based capital and solvency. Again, as noted above, Jackson believes existing requirements are properly aligned to ensure support of the FHLBank mission.

The proposed changes to the membership rules could cause a significant adverse liquidity impact on members who are deemed ineligible to obtain advances under the new rules as member insurers rely on FHLBank to support additional investments in residential mortgage related assets and the related funding for contingent liquidity needs. In fact, the ANPR would only put at risk the existing important role the insurance industry plays in supporting housing finance and economic development in our communities.

The proposed amendments would also seem to contravene the expressed intent of Congress when it established the FHLBank system in 1932. As noted in the ANPR, insurance companies have been eligible for membership in the FHLBank since its inception; however, at no time since then has Congress sought to restrict membership eligibility and tighten the housing finance requirements of its members. Instead, on numerous occasions during the past 25 years, Congress has chosen to broaden the field of entities eligible for FHLBank membership. Whether in 1989 via the Financial Institutions Reform Recovery and Enforcement Act, 1999 via Graham-Leech-Bliley Act, or 2008 via the Housing and Economic Recovery Act, Congress has clearly had numerous occasions to revisit the issue of membership and financial requirements for the FHLBank and has specifically chosen to leave these provisions untouched.

In conclusion, Jackson would respectfully request that the ANPR be withdrawn. The historical relationship between insurers and FHLBanks has worked well to support the FHLBank housing finance and community development mission. In Jackson's view, that mission should not be altered except at the express direction of the United States Congress.

Sincerely,

P. Chad Myers
Executive Vice President and Chief Financial Officer

cc: US Senator Gary Peters
US Senator Cory Gardner
US Senator Bob Corker
Congresswoman Marsha Blackburn
Congressman Ed Perlmutter
Congressman Mike Bishop
Congressman John Moolenaar
Congressman Bill Huizenga