

December 7, 2012

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Finance Agency
Eighth Floor
400 Seventh Street, S.W.
Washington, DC 20024

**Re: 2012-N-14
Advisory Bulletin on Collateralization of Advances and Other Credit
Products Provided by Federal Home Loan Banks to Insurance Company
Member**

Dear Mr. Pollard:

Jefferson National Life Insurance Company appreciates the opportunity to comment on the above-referenced proposed Advisory Bulletin ("Proposed AB") that would set forth standards to guide the Federal Housing Finance Agency's ("Agency") staff in the supervision of advances to insurance company members by the Federal Home Loan Banks (each, a "FHLBank"). We support the Agency's ongoing regulatory reform efforts to make the FHLBank System safer and more robust, and we agree that a fundamental component of those efforts is the Agency's examination and supervision of FHLBanks' risk management practices. We write to express concerns about certain aspects of the Proposed AB that we believe would benefit from modification or enhancement.

As a general matter, the Proposed AB is detailed and specific, and we are concerned that the Proposed AB could be interpreted to impose specific requirements applicable to all insurance company member advances, regardless of the risk profile associated with each particular advance.

We are concerned that the Proposed AB could require fixed limits on a FHLBank's aggregate funding to insurance company members based on the FHLBank's capital. Funding limits could reduce the access of insurance company members to FHLBanks' funding.

We also believe that the Proposed AB might be applied in a manner that restricts the types of insurance companies eligible for FHLBank membership. Additional membership restrictions would conflict with the membership eligibility criteria set forth in the Federal Home Loan Bank Act.

The Proposed AB also could be construed as imposing different lending requirements on insurance company members than those applicable to other FHLBank members. Similarly, we are concerned that the Proposed AB might require the development of a different method to value the collateral of insurance company members than the method used to value the collateral of other FHLBank members. Insurance company members differ in certain respects from other FHLBank members, but our view is that these differences do not necessarily justify different lending requirements for insurance company members. For instance, the Agency notes that there


is little precedent to indicate how insurance commissioners would deal with the repayment of a member's outstanding advances or with a FHLBank's security interests in advances collateral in the event of a failure of an insurance company member. While state insurance resolution regimes differ in some respects from failed bank resolution regimes, the rights of secured creditors generally are substantively the same across those resolution regimes.

In general, we believe that the Proposed AB should set forth risk management principles and avoid imposing specific requirements. In particular, the Proposed AB should clarify that prudent risk management does not necessarily require a cap on advances to insurance company members, restrictions on insurance company membership eligibility or different lending requirements or collateral valuation methods for insurance company member advances.

To the extent that the Agency determines that the Proposed AB imposes particular requirements on insurance company member advances, we believe that it is appropriate to grandfather current insurance company members by adopting exceptions for advances to existing members. These exceptions are appropriate to avoid undue disruption to the businesses of these existing members.

We note that the FHLBanks have an established history of appropriately and prudently managing the risks associated with member advances, including advances to insurance company members. The Proposed AB could be interpreted to require a departure from these prudent risk management practices that would adversely affect insurance company members and undermine the FHLBanks' efforts to further the FHLBanks' statutory mission.

Sincerely,


Craig A. Hawley,
General Counsel & Secretary