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Testimony of the American Council of Life Insurers  
Before the Joint Committee on Insurance & Real Estate  
Tuesday, March 12, 2013

**Senate Bill 1092 - An Act Concerning the Insurer Rehabilitation and Liquidation Act**

Senator Crisco, Representative Megna, and members of the Joint Committee on Insurance & Real Estate, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments in support of **Senate Bill 1092 - An Act Concerning the Insurer Rehabilitation and Liquidation Act**. Thank you very much for introducing and considering this legislation which will directly and favorably impact Connecticut insurers.

Access to Federal Home Loan Bank credit is an important source of capital for Connecticut insurers. The Federal Housing Finance Agency (FHFA), the regulator for the Federal Home Loan Banks, has placed increased focus on lending to insurance company members. In particular, the FHFA has paid particularly attention to the manner in which 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.

Senate Bill 1092 would provide statutory protection to a Federal Home Loan Bank from potential “stays” that may be sought by a receiver in order to delay the Bank from obtaining possession of the collateral. The legislation would also protect the Bank from potential “voidable preference” challenges that may be made by a receiver with respect to additional collateral that may have been posted by the insurer. Specifically, Senate Bill 1092 would modify a state’s receivership law of the “stay” and “avoidance of transfer” provisions to include pledges, security and collateral that are held by a Federal Home Loan Bank.

Access to Federal Home Loan Bank credit is an important source of capital for Connecticut insurers. If adopted, Senate Bill 1092 would provide greater certainty to the Federal Home Loan Bank, and Connecticut insurance company members, with regard to how collateral is treated in receivership. This, in turn, should eliminate any need for an increase in collateral requirements on Connecticut insurer borrowers. The passage of Senate Bill 1092 should result in continued, and possibly even expanded, lending to insurers.

Thank you for your consideration of our position in support of **Senate Bill 1092 - An Act Concerning the Insurer Rehabilitation and Liquidation Act**. Please contact John Larkin at (860) 508-9924 or Kate Kiernan at (202) 624-2463 with any questions.

*ACLI is a trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. There are 233 ACLI member companies licensed to do business in Connecticut, accounting for 90 percent of the ordinary life insurance in force in the state.*