



**Michael Lovendusky**  
*Vice President & Associate General Counsel*  
*(202) 624-2390*  
*michaellovendusky@acli.com*

15 May 2014

Office of the Comptroller of the Currency Legislative and Regulatory Activities Division  
*Docket Number OCC-2013-0010*  
Via [Regs.comments@occ.treas.gov](mailto:Regs.comments@occ.treas.gov)

Board of Governors of the Federal Reserve System  
*Docket No. R-1411*  
Via [Regs.comments@federalreserve.gov](mailto:Regs.comments@federalreserve.gov)

Federal Deposit Insurance Corporation  
*RIN 3064-AD74*  
Via [comments@FDIC.gov](mailto:comments@FDIC.gov)

Securities and Exchange Commission  
*File Number S7-14-11*  
Via [Rule-comments@sec.gov](mailto:Rule-comments@sec.gov)

Federal Housing Finance Agency  
*RIN 2590-AA43*  
Via [regcomments@fhfa.gov](mailto:regcomments@fhfa.gov)

Department of Housing and Urban Development  
*Docket Number HUD-2013-0090*  
Via *first-class mail*

Re: Exemption for Securitizations Involving Collateral Consisting of the Securitizer's Own Unsecured Obligations

Dear Regulators:

It has come to the attention of the American Council of Life Insurers (ACLI) that a matter is pending before you which may capture unintentionally certain transactions typical to the insurance industry that are not part of the Asset-Based Securities (ABS) market as conventionally defined. Pending before the Agencies identified above is a re-proposed rule on credit risk retention jointly issued by the Agencies pursuant to Section 941(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The ACLI supports the intent of the re-proposed rule as it relates to the ABS, Commercial Mortgage Backed Securities and Residential Mortgage Backed Securities markets. However, ACLI requests clarification that the rule is not intended to capture certain transactions that are not part of the traditional ABS market or an exemption from the rule if necessary.

The particular transactions of concern are commonly utilized by insurance companies and include the issuance of trust securities as well as securities backed by obligations uniquely issued by insurance companies such as funding agreements and surplus notes. ACLI members include many of the largest issuers of funding agreements in the United States. The ACLI

*15 May 2014*

supports an exemption from the risk retention rule for such transactions. The transactions do not involve the securitization of an interest in any assets other than an obligation created by the Securitizer, as defined in § .2, itself.

Such transactions generally involve the issuance of securities to investors by a special purpose vehicle (SPV) and the use of the proceeds to acquire direct, unsecured obligations of the Securitizer itself or its affiliates that have terms similar to those of the securities issued by the SPV. In such cases, the investor does not acquire an indirect interest in receivables or other assets of a third party the quality of which can be monitored by the Securitizer. Applied in these circumstances, the risk retention rule would not address in any way the goal of providing Securitizers with an incentive to monitor and ensure the quality of third party assets underlying a securitization transaction and thereby align the interests of the Securitizers with the interests of investors.

For the benefit of their policyholders and other stakeholders, insurance enterprises utilize financing structures that would be unnecessarily burdened under the proposed risk retention rule. These financing structures do not serve to transfer third party risk accumulated by insurers to investors by bundling obligations and selling them. Instead, the risk they represent is recognizable to investors as a risk related directly to the insurance enterprise. These financial structures do not incorporate financial engineering to generate ratings enhancement but are fundamentally the most straightforward of financial contracts – a deposit contract – with the operating insurance company.

The investors in these funding agreements include public pension funds, state and corporate treasuries and public fixed income funds. The proposed regulation could have the unintended consequence of reducing access to such diversifying and high quality assets for investors by making the issuance of these securities more problematic for insurers. Classifying insurance funding agreements as asset-backed also potentially reduces the depth of the market since some investors have guidelines on how much structured product concentration they hold in their portfolios.

Based on these considerations, the ACLI respectfully requests that the Agencies add a general exemption to the risk retention rule to exempt from the application of the rules any securitization transaction in which the Collateral, as defined in § .2, consists primarily of unsecured direct obligations of the Securitizer, as defined in § .2, or its affiliates, in structures such as those described above.

The American Council of Life Insurers represents approximately 300 member companies operating in the United States and abroad. The 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. 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. ACLI acknowledges that this comment is filed late. Nonetheless, the ACLI respectfully requests consideration of ACLI concerns if they are timely as a practical matter for any of the Agencies. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Ford", with a long horizontal flourish extending to the right.

*Letter of the American Council of Life Insurers  
Re: Request for Exemption for Securitizations Collateralized By Securitizer's Own Unsecured Obligations  
15 May 2014*

The American Council of Life Insurers  
MICHAEL LOVENDUSKY  
Vice President & Associate General Counsel

TO:

Office of the Comptroller of the Currency Legislative and Regulatory Activities Division  
400 7<sup>th</sup> Street, SW, Suite 3E-218, Mail Stop 9W-11  
Washington, DC 20219  
*Docket Number OCC-2013-0010*

Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551  
Attn: Robert deV. Frierson, Secretary  
*Docket No. R-1411*

Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
Attn: Comments, Robert E. Feldman, Executive Secretary  
*RIN 3064-AD74*

Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
Attn: Elizabeth M. Murphy, Secretary  
*File Number S7-14-11*

Federal Housing Finance Agency  
Constitution Center  
(OGC) Eighth Floor  
400 7<sup>th</sup> Street SW  
Washington, DC 20024  
Attn: Alfred M. Pollard, General Counsel  
*RIN 2590-AA43*

Department of Housing and Urban Development  
Regulations Division  
Office of General Counsel  
451 7<sup>th</sup> Street, SW  
Room 10276  
Washington, DC 20410-0500  
*Docket Number HUD-2013-0090*