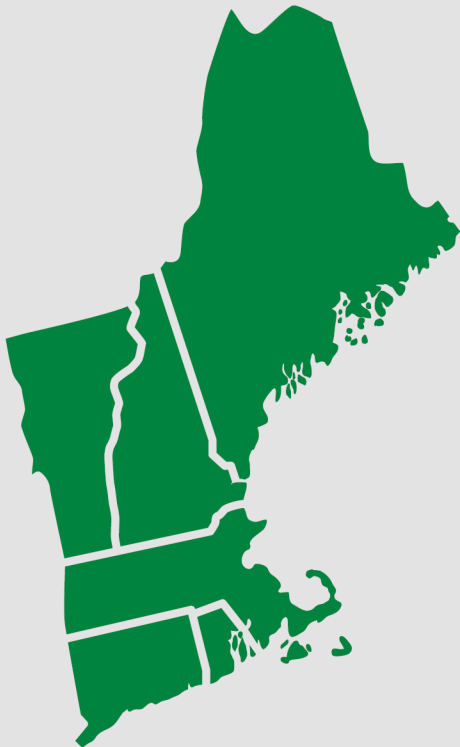


Appendix

Testimony before the House Committee on Commerce and Economic Development

March 23, 2023

*Update Insurance Company Receivership Laws for Business with the
Federal Home Loan Banks*



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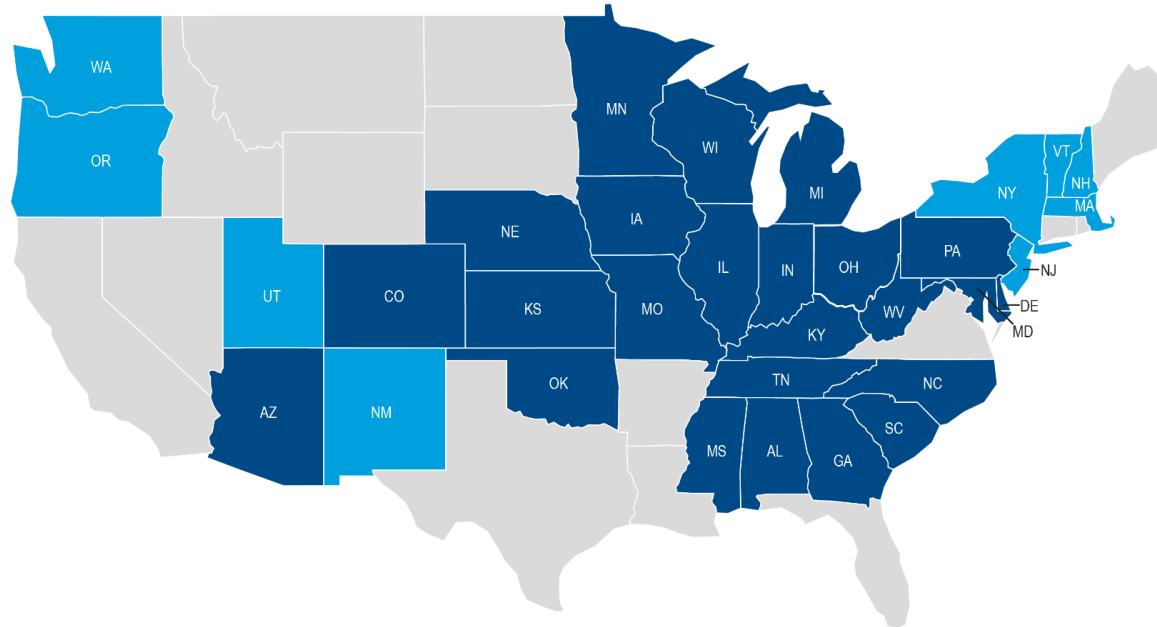
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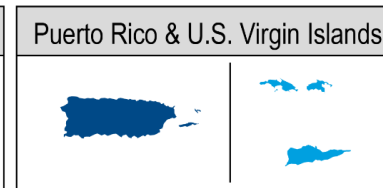
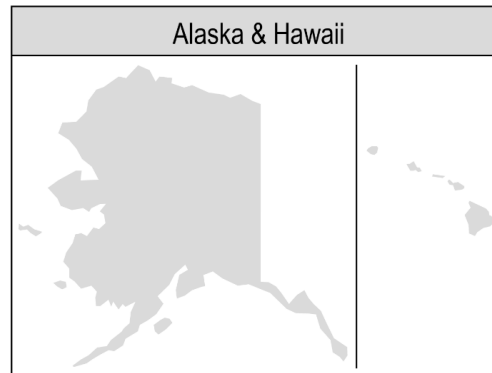
Executive Summary

- FHLBank Boston would like your support for amendments to S.95 that would modify the insurance insolvency laws related to stays and voidable transfers provisions.
- FHLBank membership is a valuable financial resource for Vermont banks, credit unions, and insurance companies.
- Federal laws and regulations provide the FHLBanks protection in the event of a bank or credit union failure - not subject to a stay or voidable transfer provisions.
- Because insurance companies are regulated at the state level, however, it is unlikely that these federal protections will apply in an insurance company's insolvency (McCarren-Ferguson Act).
 - ❖ *The unequal treatment creates uncertainty regarding whether a FHLBank can provide funding to a Vermont insurance company member when they need us most*
- FHLBanks merely seek to achieve parity between state and federal law to address concerns raised by the FHLBanks' federal regulator (the Federal Housing Finance Agency). The FHLBank amendments to S.95 will never result in a FHLBank recovering more than it would otherwise be entitled to under its security agreement.
- In 2014, the FHLBanks worked with the National Association of Insurance Commissioners (NAIC) to create model stay and voidable preference legislation to protect the FHLBanks. Although a model law was not agreed upon, the NAIC Task Force issued recommendations for states who adopt legislation protective of the FHLBanks, including: 1) a short stay period; and 2) specific language on FHLBank cooperation with a receiver.
 - ❖ *The NAIC's recommendations are incorporated into the FHLBank amendments to S.95.*
- To date, **24** states have passed the legislation. FHLBank Boston is also pursuing the legislation in Massachusetts and New Hampshire in 2023.

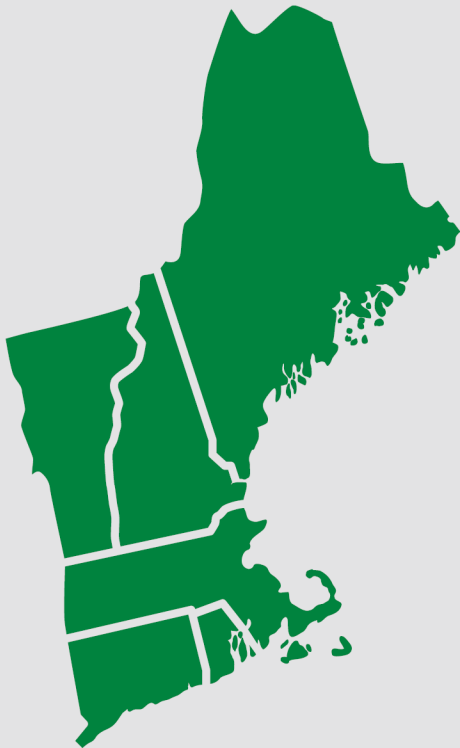
States with FHLBank Stay and Voidable Preference Legislation



Legend
Passed Legislation
Working on Legislation
All Other States

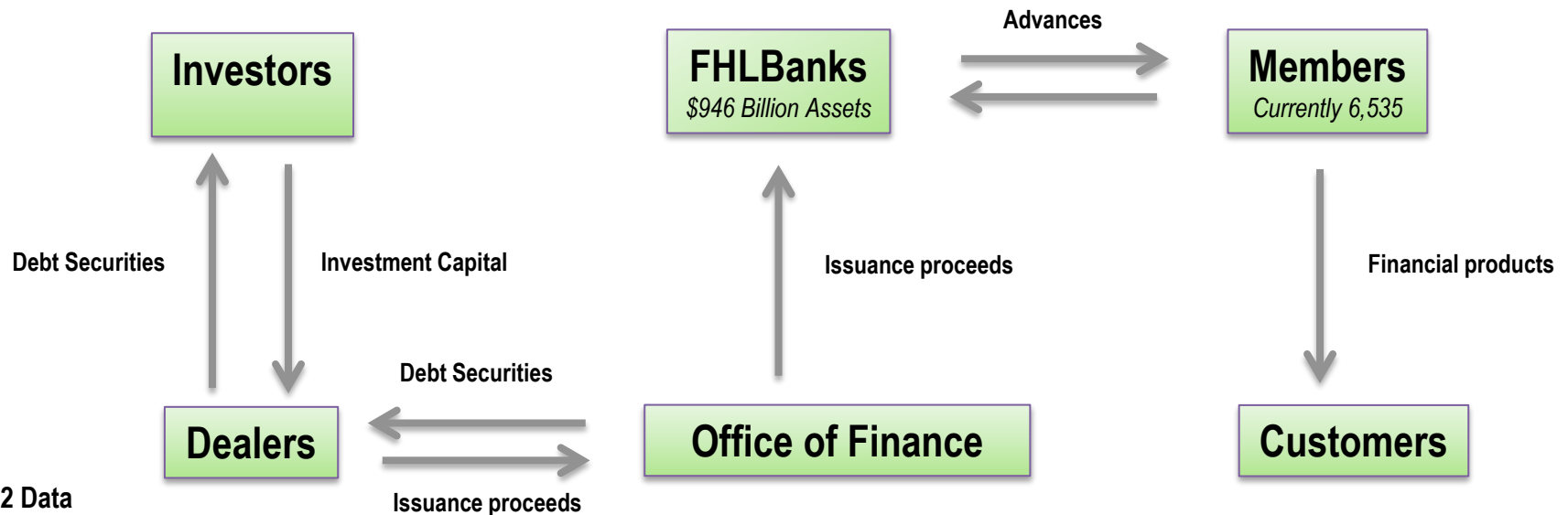


FHLBank Overview



FHLB System Overview

- Established by Congress in 1932 to provide liquidity and funding to member institutions
- Primary business is extending credit to banks, thrifts, credit unions, insurance companies, and community development financial institutions
- Regulated by Federal Housing Finance Agency and subject to the terms of FHLBank Act
- Cooperative structure – Bank is owned by its members
- Debt securities issued through Office of Finance are the joint obligations of all 11 banks



2Q 2022 Data

Vermont

- Alliance of Non-Profits, RRG
- American Excess, RRG
- Blue Cross Blue Shield of VT
- Community Hospital Alternative for Risk Transfer, RRG
- Connecticut Attorneys Title
- Housing Authority Property Insurance
- Housing Authority, RRG
- ICI Mutual
- MCIC Vermont, RRG
- National Life Insurance
- Union Mutual
- United Educators, RRG
- Vermont Mutual
- Attorneys' Liability Assurance Society, RRG (Chicago)
- One Mortgage Partners Corp - JP Morgan affiliate (Chicago)

Maine

- Maine Employers Medical Mutual
- MMG Insurance
- Starmount Life Insurance
- Unum Life Insurance

Connecticut

- Aspen American Insurance
- Aspen Specialty Insurance
- Hartford Life and Accident
- Hartford Fire Insurance
- Merit Life Insurance
- Nassau Life and Annuity
- PHL Variable Life Insurance
- Prudential Retirement Ins Annuity
- Talcott Resolution Life Insurance
- Talcott Life and Annuity Insurance
- Vantis Life
- Voya Retirement Insurance & Annuity
- New London County Mutual
- Aetna Life Insurance

Rhode Island

- Amical Life Insurance
- Amica Mutual
- Beacon Mutual Insurance
- Blue Cross Blue Shield of RI
- Farmers Property & Casualty
- Narragansett Bay Insurance

Other

- Citizens Insurance Co of America - MI
- Coverys, RRG – DC
- Ironshore Specialty Insurance Co - AZ
- Lexington Insurance (AIG) - DE
- Nassau Life Insurance – NY
- Yosemite Insurance

Massachusetts

- AIM Mutual
- Arbella Mutual Insurance
- Barnstable County Mutual
- Blue Cross Blue Shield of MA
- Blue Cross Blue Shield of MA HMO Blue
- Commerce Insurance Co
- Commonwealth Annuity & Life
- Danbury Mutual
- Depositors Insurance Fund
- Dorchester Mutual
- Fallon Community Health
- Fitchburg Mutual
- Harvard Pilgrim Health Care
- Hingham Mutual
- Hospitality Mutual
- Liberty Mutual Insurance Co
- Mass Credit Union Share Ins.
- Mass Mutual Life Insurance
- Medical Professional Mutual
- Norfolk and Dedham
- Quincy Mutual Insurance
- Safety Insurance
- SBLI of Massachusetts

New Hampshire

- American European
- Hanover Insurance Co
- MEMIC Casualty
- MEMIC Indemnity
- Peerless Insurance Co
- RSUI Indemnity Co (Atlanta)
- Western World Insurance (NY)
- Tudor Insurance (NY)
- Stratford Insurance (NY)

Funding Products

Advances (Loans)

- Easy one phone call access to funds
- Terms from overnight out to 30+ years
- Fixed v. floating and bullet v. amortizing
- All types of derivatives can be embedded
- Funding available until 5:00 p.m.

Letters of Credit

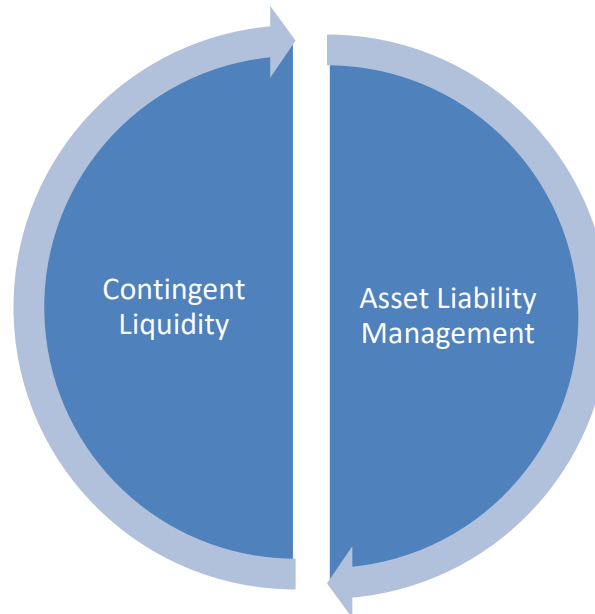
- FHLB Boston is an NAIC approved bank for Letters of Credit

Housing and Community Investment

- Affordable Housing and Down Payment Assistance Programs
- Jobs for New England (a jobs creation and retention program)
- Community Development Advance Program

Funding Usage by Insurance Companies

- Emergency/back up liquidity
- Gain liquidity from illiquid assets
- Fill reinsurance payment gaps
- Cash management



- Strategies for matching maturity and liability portfolio
- Interest-rate-risk management
- Fund asset growth