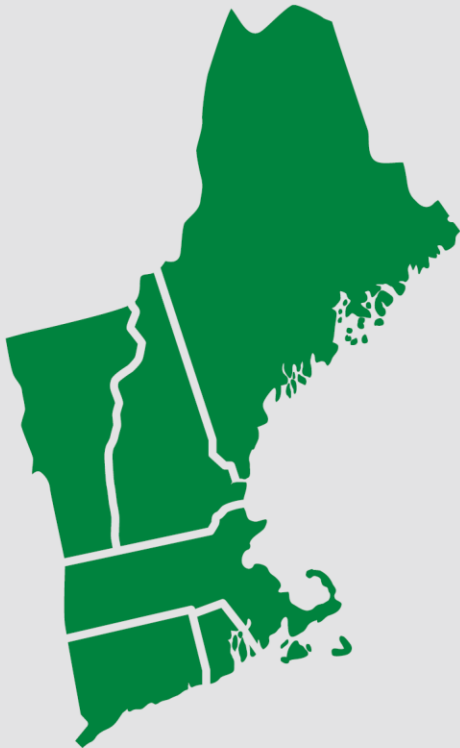


# *Appendix*

## *Testimony before the Senate Committee on Finance*

*February 24, 2023*

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



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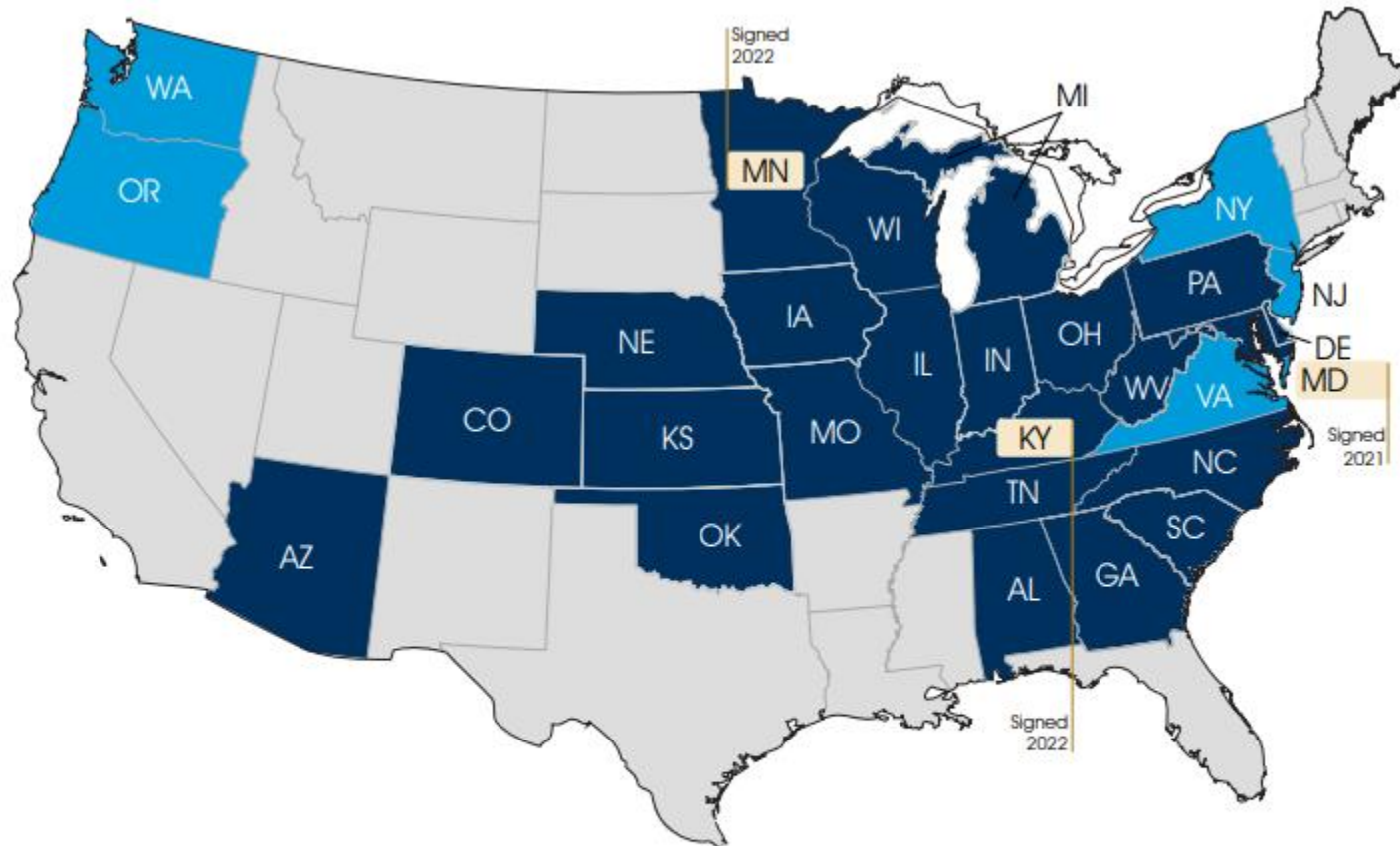
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# Executive Summary

- FHLBank Boston would like your support for state legislation that would modify the insurance insolvency regulations related to stays and voidable transfers provisions.
- Under federal law, 12 U.S.C. §1430(e) lien priority, in the event of bankruptcy of a bank, FHLBank loans are afforded a special protection, not subject to stay and voidable transfer provisions. This legislation will assure that insurance companies are treated like depository institutions and allow them to have more favorable credit terms.
- 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 or FHFA). The proposed legislation will never result in an FHLBank recovering more than it would otherwise be entitled to under its security agreement.
- FHLBank membership is a valuable financial resource for insurance companies.
- The FHLBanks will partner with member regulators if a member insurance company faces financial distress. To our knowledge, only two insurance company FHLBank members have ever gone into rehabilitation: *Shenandoah Life (VA) and Standard Life of Indiana (IN)*. FHLBanks worked closely with the regulators throughout process. Both companies were successfully rehabilitated.
- FHLBanks and the NAIC partnered to develop the model law. To date, **23** states have passed the legislation.
- FHLBank Boston is also pursuing the legislation in Massachusetts and New Hampshire.

# States with Stay and Voidable Preference Legislation



LEGEND	
PASSED LEGISLATION	
WORKING ON LEGISLATION	
ALL OTHER STATES	

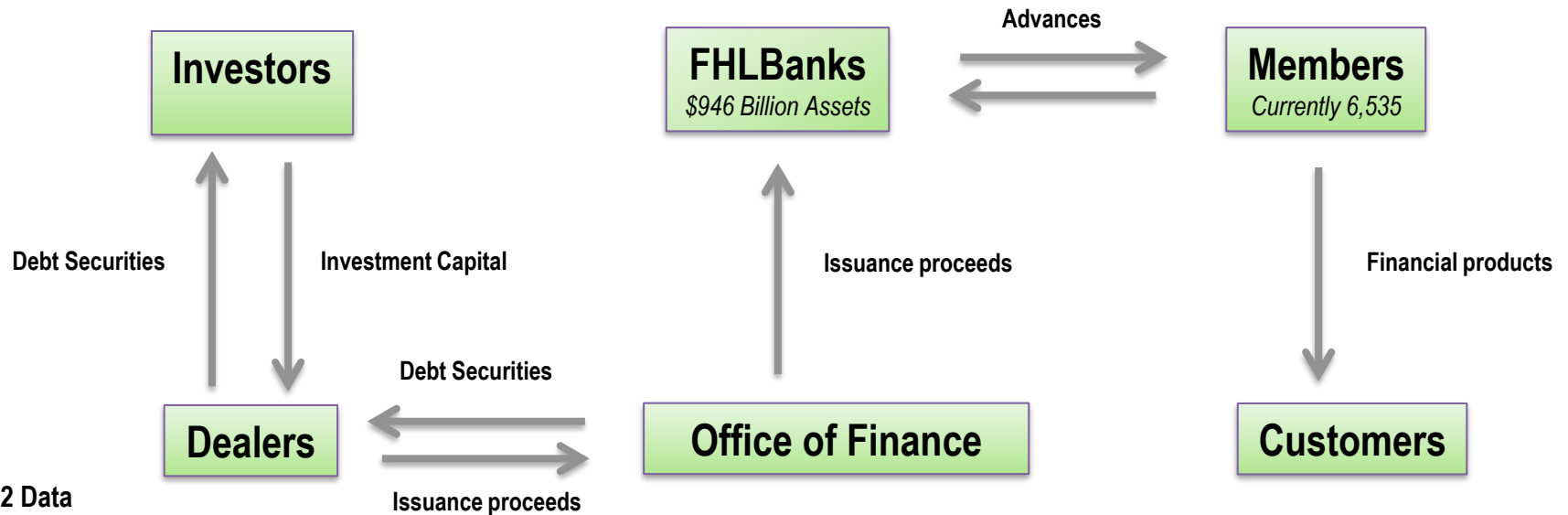
PUERTO RICO & U.S. VIRGIN ISLANDS	
PR	
Signed 2021	

# *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
- CW Reinsurance Co
- Housing Authority Property Insurance
- Housing Authority, RRG
- ICI Mutual, RRG
- 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

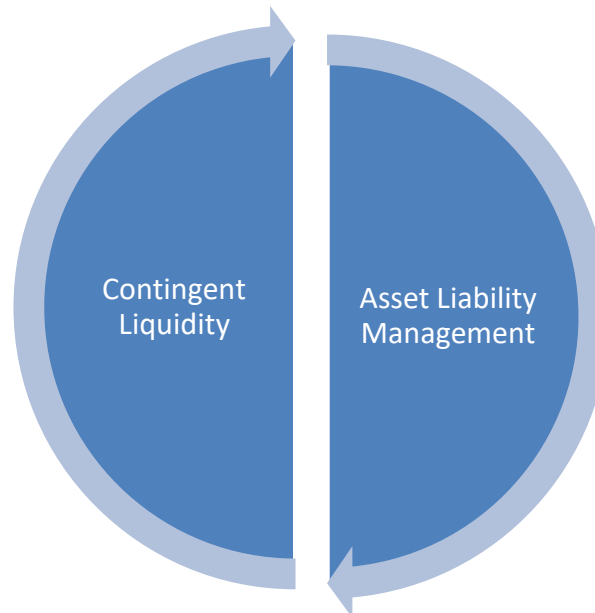
- FHLB Boston is an NAIC approved bank for Letters of Credit

## Housing and Community Investment

- Affordable Housing 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