

Allianz Life Insurance Company of North America

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The Federal Housing Finance Agency
c/o Adam.Russell@FHFA.gov
400 7th Street SW
Washington DC 20024

RE: Federal Home Loan Bank System Comprehensive Review

28 October 2022

To the Federal Housing Finance Agency:

Allianz Life Insurance Company of North America (“Allianz Life”) appreciates the opportunity to comment on efforts underway to review the Federal Home Loan Bank System (the “System”). Allianz Life is very supportive of the Federal Home Loan Banks’ mission to provide their members with a reliable source of funding for housing finance, community lending, and asset-liability management, as well as liquidity for members’ short-term needs. As members of the System, we have experienced first-hand the benefits the System provides to its members and the economy overall. In its 90+ years, the System has made a significant difference in providing affordable housing and community development as a provider of liquidity through economically challenging times.

The fundamental nature of a life insurer’s goal to provide financial security to policyholders is core to our long-term investments in housing, community development, and infrastructure through direct lending, ownership opportunities, and secondary market activities. We urge the System to retain its consistent commitment to affordable housing development, as well as maintain life insurers’ access to Bank membership as it evaluates its mission, framework, or operations.

As a member of the American Council of Life Insurers (“the ACLI”), Allianz Life writes to express support for its comments on October 21, 2022 to the System, reinforcing these key messages:

As integral participants in the U.S. economy in providing insurance products that help provide financial stability to policyholders during critical times, it is imperative that life insurers remain financially solvent to meet our commitments. State laws and regulatory oversight ensure sufficient reserves are in place to pay claims. An important component in that goal is the ability to invest premiums to meet our obligations.

Life insurance company investments drive economic and job growth throughout the country. Financial strength is vital in order to shape long-term capital investments and capital strategies in reliance on and respect for functional

regulatory precedent and stability. The long term nature of our business makes the life insurance industry a natural supporter of mortgages and housing-related assets.

The life industry also provides substantial liquidity to the housing market, which is supported by our membership in the System and evidenced by liquidity and additional underwriting capabilities, including the origination of commercial mortgage loans for multifamily housing, community facilities, and infrastructure developments.

Allianz Life is strongly supportive of the System's activities to support housing finance, community lending, and economic development. The System should maintain a strong mix of support for both workforce housing and affordable housing to strike the right balance of profit reinvestment opportunities.

The regional bank structure is appropriate to ensure that funding and community investments remain in or return to the represented regions and states. The existing hybrid centralization of certain back-office functions generates certain efficiencies; but the regional bank organizational model should be maintained.

Recognizing that life insurers hold a mix of investments to support their ability to meet customer claims, asset liability management requires strict state regulatory capital and reserving requirements. The System allows life insurers to access additional, short-term liquidity to meet claims while providing flexibility during all economic cycles, and that liquidity provided by the System to its insurance company members is extremely important.

Life insurers utilizing Federal Home Loan Bank advances have provided a stable base of revenue to support the System's infrastructure and generate Federal Home Loan Bank profits, of which at least ten percent (10%) must be contributed to the System's affordable housing programs. The value of this reliable Federal Home Loan Bank business is evident from the recent years of the COVID pandemic, when advances to community and savings bank members of the System declined significantly while advances to insurance company members remained strong.

In conclusion, insurance company members of the Federal Home Loan Banks, including Allianz Life, provide stability to the System and decreases systemic risk. Given our robust corporate governance, risk management and regulatory oversight, the FHFA should continue to ensure the Federal Home Loan Banks maintain the current relationship it has established with the life insurance industry.

To the extent that FHFA considers any changes to Home Loan Bank membership eligibility, the Agency should consider if an industry is subject to regulatory scrutiny and robust capital holding requirements similar to those for existing members such as insurance companies and depository institutions. These regulatory standards greatly help to eliminate potential exposures of the Federal Home Loan Banks to systemic risk, so the System may continue its mission supported by Allianz Life and also serve as a source of liquidity to its members during all economic variations.

Thank you, again, for your consideration.

Sincerely,