October 8, 2014

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20024
Email: RegComments@fhfa.gov

Office of Information and Regulatory Affairs, OMB
Attention: Desk Officer for Federal Housing Finance Agency
Room 10102, New Executive Office Building
725 17th Street NW
Washington, DC 20503
Email: OIRA_Submission@omb.eop.gov

Re: Members of Federal Home Loan Banks
Notice of Proposed Rulemaking, RIN 2590-AA39

Dear Mr. Pollard and OMB Desk Officer:

I am writing today to request that the NPR on membership changes be reconsidered as unhealthy for the entire FHLB System. As an insurance company member, I am very concerned about changes that could affect my ongoing membership in the FHLB of Indianapolis. The availability of advances to manage corporate liquidity and cash flow is extremely valuable to my company.

Insurance companies, as defined by the state regulators, should be considered very valuable members of the FHLB. They are very stable entities due to the high amount of state regulatory oversight in place, and they reduce volatility for the entire membership of the FHLB, as demonstrated in the past decade where economic chaos caused a crisis our system has never experienced in its 82 year history.

There is absolutely no financial or structural benefit to anyone by the changes proposed. There is no existing problem to be solved by these changes. The costs of greater FHLB volatility and lower AHP funding are significant to say the least.

As an insurance company, we know the benefit of risk diversification, as long as the risks are carefully underwritten. The loss of 10% or more of good accounts would cause me great distress. The loss of healthy diversification of risk should never be taken lightly. I would choose a portfolio of good risk spread over two lines of business any day over good risk spread over one line of business. Banking and insurance cycles are not correlated, and are therefore supportive of each other in times of financial stressors.

State insurance departments have always had the authority to define an "insurance company". They are the experts in insurance regulation whose primary goal is to preserve financial stability for the policyholder. Any attempt by the FHFA to define "insurance company" is a slippery slope. Why should captives be singled out as not worthy to be members of the FHLB? Are RRG's next? What about reinsurers? Reciprocals? Where will the line be drawn, and for what purpose?

All of the insurance companies that are members of FHLBI are members in good standing. It makes no sense to imply that some insurance companies are "better" members than others. It is unfair to single out specific types of insurers, when ALL insurance companies have been eligible for FHLB membership since 1932.

Insurance companies are heavy investors in MBS and provide a liquid market for these securities. They endured the financial pain of the last decade along with everyone else, but because of their structure and financial strength, were able to sustain losses without folding. They actually demonstrated greater confidence and grace under fire than banks did.

My company relies on the liquidity provided by the FHLB through cash advances. Usage of cash advances by my company and other insurance companies is stable and predictable. There are certain times of the year when cash outflow exceeds inflows and the cash advances are helpful in smoothing out the cycles without disrupting other investment goals by liquidating investments at inopportune moments. I trust the strong FHLB system to provide liquidity when I need it.

There has been no legitimate reason for the FHFA to publish this NPR. There are no examples of failure in the current structure, no captive insurers that didn't repay advances, no members with shaky financial statements, or insurers who didn't hold plenty of MBS. This is a solution looking for a problem, and it will cause significant, even catastrophic, unintended consequences both for the members and those looking for affordable housing.

Thank you for considering my opinion and comments, and I ask for your support in reversing this NPR. The negative ramifications of this NPR will be felt throughout the banking and insurance industries, and especially by those needing affordable housing.

Sincerely,

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