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## **To Whom It May Concern:**

Accident Fund Holdings, Inc. (AFHI) appreciates the opportunity to review and provide comments on the Federal Housing Finance Agency (FHFA) proposed revision to regulations governing Bank membership that would significantly revise the agency's rules regarding membership in a Federal Home Loan Bank (FHLB), located at 12 CFR part 1263.

AFHI is a monoline workers' compensation carrier offering traditional workers' compensation insurance through independent insurance agents. AFHI conducts business through its four brands: Accident Fund, United Heartland, CompWest and Third Coast Underwriters. The combined efforts of the brands make AFHI the 17<sup>th</sup> largest provider of workers' compensation and the largest non-governmental specialty writer in the United States. AFHI is an organization that policyholders have come to rely on and trust for over 100 years. In 2014, the enterprise will write nearly a billion dollars in workers' compensation premium.

Membership to the Federal Home Loan Bank of Indianapolis (FHLBI) and utilization of the Community Investment Program (CIP) has been an integral part of our financial and strategic plans. The CIP enabled funding for AFHI to revitalize an aging power plant into its national headquarters in downtown Lansing, Michigan. In addition to the 1,550 workers who spent two and a half years transforming the old plant, the project enabled AFHI to continue to grow its workforce and serve as a foundation in the Lansing economy. AFHI's participation in the FHLB played a crucial role in this economic development success.

Membership in the FHLBI is an integral part of AFHI's financial plan. A key component of our enterprise risk management plan is a dependable funding source for liquidity and operations. The liquidity options FHLBI enables, allow AFHI to take advantage of strategic investment opportunities, while continuing to meet all customer and regulatory obligations. AFHI is proud to be a strong proponent of the FHLBI's mission and enjoys the membership benefits. However, we have concerns with proposed changes to regulations governing membership:

### ***Limit the types of insurance companies that are eligible for membership:***

The rule seeks to limit the term "insurance company" to mean "*a company whose primary business is the underwriting of insurance for nonaffiliated persons or entities.*" While intended to impact only captive insurers, the definition is far broader and could impact reinsurers and other unintended companies. Additionally, the proposal would limit existing FHLB insurance carrier members' strategic growth opportunities by restricting the products and services they are able to offer.

### ***Establishing a quantitative standard for determining membership compliance, including a long-term mortgage loan requirement:***

The proposed rule would establish a quantitative standard across all the FHLB system for membership, and require one percent of home loans to total assets on a statutory basis. Currently each FHLB determines its own standards for membership, and is allowed to respond to specific needs in its region. The language also leaves room for the threshold to increase. Requirements such as these can impact the structure of our investment portfolio, and over time can have a potentially negative impact on the structure and our

investment income. As a workers' compensation company, with a particularly long-tailed claim cycle, we rely on investment income to support the mission of the company.

Thank you for this opportunity to provide feedback. We are very supportive of the FHFA's efforts, but continue to have the concerns outlined above. We feel the existing regulations for the FHLBs around the country work well, and respectfully request you consider withdrawing your request for revisions.

If you have any questions or concerns you may direct them to Keri Kittmann, Controller, (517) 708-5350 or [keri.kittmann@accidentfund.com](mailto:keri.kittmann@accidentfund.com).

Respectfully,

*Keri Kittmann*