

January 9, 2015

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

RE: Notice of Proposed Rulemaking and Request for Comments – Members of the Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

Associated Industries of Massachusetts Mutual Insurance Company (A.I.M. Mutual) appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA) Notice of Proposed Rulemaking and Request for Comments regarding membership in the Federal Home Loan Bank (FHLB) system. A.I.M. Mutual is a workers' compensation insurance company licensed in Massachusetts, New Hampshire, and Connecticut. The Company is sponsored by Associated Industries of Massachusetts with more than 5,000 employer members. With assets in excess of \$500 million, A.I.M. Mutual has been a member of the Federal Home Loan Bank of Boston since 2008. We have also contributed \$850,000 of at-risk capital for Federal Home Loan Bank stock.

We are writing to express concern over the proposed changes to the FHLB membership requirements. The proposed changes impose stricter requirements that would limit the ability of the insurance industry to take advantage of FHLB membership and discourage new members from joining. Introducing a new asset test that requires members to maintain at least 1% of assets in home mortgage loans is not necessary given the collateral requirements in place for funding agreements, but this is already accomplished due to the collateral requirements in place. To borrow FHLB funds, members must post sufficient collateral (in excess of the borrowing amount for additional conservatism.)

We are also concerned that the asset test may jeopardize the ability of companies to rely on FHLB liquidity in times of stress, when it would be most needed. A dramatic decrease in asset prices during a financial crisis could disqualify a member and the FHLB would be required to terminate the member under the proposed rules. Companies consider their access to FHLB funding an important component of their enterprise risk management program. Similar to depositor banks, as a mutual insurance company, we do not have the same access to capital as a public company.

We do not support the proposal to maintain 1% of assets in mortgage loans as a membership requirement, nor the ability of the FHFA to increase the requirement anywhere from 2% to 5%. This requirement could prevent companies from pursuing an optimal investment strategy. We operate in a

highly regulated industry and must always consider the opinions of the state insurance regulators and our rating agency in our decision-making. The asset test could conflict with the interests of these important stakeholders.

We also do not agree with the proposed definition of an insurance company as “a company whose primary business is the underwriting of insurance for nonaffiliated persons or entities”. Although aimed at captive insurance companies, the proposed definition could create uncertainty about the eligibility of mutual insurers as they are owned by their policyholders. We believe the definition creates too much uncertainty and could result in the unintended restriction of certain types of insurance companies.

Based on the comments above, we urge the withdrawal of the FHFA’s September 12, 2014 Notice of Proposed Rulemaking and appreciate the opportunity to share our comments with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul M. Kehoe". The signature is fluid and cursive, with a large, stylized "K" at the end.

Paul M. Kehoe
Vice President and Treasurer
A.I.M. Mutual Insurance Company