January 9, 2015

Via www.fhfa.gov/open-for-comment-or-input
And RegComments@fhfa.gov

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

RE: Notice of Proposed Rulemaking
RIN 2590-AA39

Dear Mr. Pollard:

The National Risk Retention Association ("NRRA") is writing to comment on the Federal Housing Finance Agency's ("FHFA") notice of proposed rulemaking and request for comments on "Members of the Federal Home Loan Banks" published on September 12, 2014. NRRA is the association which represents the risk retention and purchasing group industries. Risk retention groups ("RRGs") are liability insurance companies chartered in a state authorized by the Federal Liability Risk Retention Act, 15 U.S.C. 3901, et sec. There are over 250 RRGs in operation today, which receive premium of more than $2.5 Billion.

The proposed rule outlines a series of changes to the rules of membership and ongoing duties of members. The rule would define the term "insurance company" to exclude from Federal Home Loan Bank ("FHLB") membership "captive insurers, but permit existing captive members to remain members for five years with certain restrictions on their ability to obtain" loans. More specifically, the definition of "insurance company" would be "a company whose primary business is the underwriting of insurance for nonaffiliated persons or entities."

Captive insurers are subject to extensive oversight by the state departments of insurance, including extensive financial oversight, reporting requirements, and in the event of a financial concern, supervised rehabilitation and/or liquidation. While captives generally are formed to insure affiliated business, many captives assume nonaffiliated risk.

RRGs, which can be formed either as captives or traditional insurers, are subjected to even more regulatory oversight than almost all forms of captives. Under the auspices of the National Association of Insurance Commissioners (NAIC), all the laws required for state accreditation must be adopted (with specific exceptions or alterations designed to suit RRGs) by the RRG's state of

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domicile. In addition, the reporting obligations of RRGs are more frequent than those of most captives in that an RRG must report quarterly and then annually not only to its state of domicile, but also to the NAIC.

The proposed exclusion of captives by the FHFA appears to be based on the concern that some entities, which would not be qualified to be a member of a FHLB, have created a captive which can then become a member, borrow funds, and pass them along to the parent. If this is true, then the appropriate remedy should be to prohibit the practice, not to exclude all captives, since captives are regulated insurance companies which play a vital role in commercial risk management and financing.

NRRA recommends that the proposed rule be amended to address the concerns of the FHFA, but not to eliminate all captives from participating as members.

Thank you for considering these comments.

Very truly yours,

Robert H. Myers, Jr.
General Counsel

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