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January 8, 2015

Alfred M. Pollard, Esq., 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; Request for Comments – Members of the Federal Home Loan Banks

Dear Mr. Pollard:

We have been invited to express our concerns about the Federal Housing Finance Agency's notice of proposed rulemaking that will impact members of the Federal Home Loan Bank (FHLB) system.

Our company, Florists' Mutual Insurance Company, is an Illinois-domiciled property/casualty mutual insurance company that writes commercial business nationally for the horticultural industry, including greenhouse growers, wholesale growers, retail florists, landscapers and plantscapers. Florists' Mutual was formed in 1887 for the purpose of protecting this industry exclusively, and we have faithfully done so since that time. We became a FHLB of Chicago member in the late 1990's and have greatly valued our partnership since.

FHLB-Chicago financing enabled our company to construct new corporate headquarters, to which we relocated in 2000. Having liquidity access at member interest rates allowed us to put all of our employees under one roof without compromising our investment portfolio strength or adding outrageous financing costs to our operation.

The ability to access liquidity quickly for an insurance company is critical, particularly in the case of market financial crisis, such as that which occurred in 2008. Although our company did not require additional advances, it was certainly reassuring to know that our membership would allow us affordable borrowing if the need had arisen.

A similar circumstance, which has, thankfully, not occurred, would be in the event of a natural catastrophe, where our exposure as an insurance company would subject us to significant cash outlay in a short amount of time. The flexibility offered by FHLB-Chicago would enable us to draw advances for supplementing cash flow as claims are paid, without significant impact to our investment portfolio position or yield.

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FLORISTS' MUTUAL INSURANCE COMPANY
FLORISTS' INSURANCE COMPANY FLORISTS' INSURANCE SERVICE, INC.

The proposed rule outlines requirements to which member insurance companies will be forced to comply. It would require our company to hold a minimum of 1% (and, potentially, up to 2% or 5%) of our total assets in long-term home mortgage loans. Currently, this is not an issue for our company since we have owned an average of 6 ½% of mortgage-backed FHLB securities over the last 3 years. However, given the economic conditions nationally and globally, it is certainly feasible that this allocation may be reduced in an effort to achieve greater return and balance sheet strength. Investment changes and decisions are made in consideration of that which is happening in the insurance industry at any given time, and the investment income component is a significant part of the insurance company operating model.

Congress originally intended that the FHLB system have the mission of providing liquidity beyond that of housing financing. Assuredly, insurance company members have drawn advances for a variety of purposes beyond building construction or renovation, and the proposal at hand detracts from this philosophy and intent, requiring more mortgage-backed holdings than may be palatable for a small insurer.

If such requirements are implemented for membership, there remains concern about additional changes in the future. Making such changes now sets precedent for future changes, which may be even less desirable for members. Regulation by our state of domicile insurance department – and by other states in which we conduct business – is relatively rigorous and sufficient to ensure we honor our commitment to policyholders. Further regulation and requirements for FHLB members appears opportunistic and not in the best interest of serving our policyholders.

The proposed definition of "insurance company" to mean "a company whose primary business is the underwriting of insurance for nonaffiliated persons or entities" could conceivably cause a problem for mutual companies such as ours, which is owned by its policyholders. These policyholders may thus be perceived as "affiliated."

In summary, these proposed changes, to the FHLB system, as well as ones not mentioned due to inapplicability to our corporate circumstances, appear to be counterproductive for the FHLBs (i.e., reducing and restricting members and, thus, related business), as well as for the member companies (i.e., reduced access to liquidity and financing sources). Any FHLB member is within the confines of the financial industry and, as such, meets a high level of regulatory standards by virtue of their existence as a bank, insurance company, etc. Adding more regulation impacts both parties in the relationship negatively, and the requirements put forth appear completely counterintuitive.

We respectfully request that this proposal be withdrawn. Thank you for your consideration.

Sincerely,

Mona B. Haberer

Mona B. Haberer
President & Chief Executive Officer