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substance of the individual agreement. If the arrangement is, in substance, a funding agreement, it would be accounted for under SSAP No. 52 with established policy reserves for all contractual obligations arising from the contract provisions.

Regardless of whether the advance from the FHLB is considered "debt" or a "funding agreement," U.S. insurers that disclose information on FHLB debt, including information on FHLB common stock held (because they can only borrow if they own FHLB stock), collateral pledged to the FHLB, advances from the FHLB and whether advances are subject to prepayment penalties.

Insurers reported about \$70 billion in FHLB advances with a weighted average rate of 2.9%. Insurers reported \$81 billion in FHLB advances during 2016, with the \$10 billion difference due to 84 insurers that reported a difference between their maximum borrowings for 2016 and the outstanding amount at year-end.

the FHLB after written notification on the intent to redeem and after a specified waiting period. Class B stock has a five-year waiting period after submitting written notification to redeem.

In the Notes to the Financial Statements (Note 11 – Debt), U.S. insurers reported assets pledged as collateral to the FHLB system with a book/adjusted carrying value (BACV) of \$96.2 billion at year-end 2016, up from \$73 billion as of year-end 2015 (see Table 2). Each FHLB member must pledge collateral to receive advances, and the fair value of pledged collateral is required to exceed the amount of the FHLB advance. The value allowed in the calculation also varies depending on the quality and liquidity of the asset.

This overcollateralization provides the FHLB with additional cushion in the event of a member default. FHLB members may also pledge collateral in anticipation of FHLB advances to minimize any delay in accessing the liquidity. As such, the \$23 billion increase in pledged collateral from 2015 to 2016 is for existing advances, as well as for the intention of maintaining an open but undrawn liquidity source, which includes any potential overall overcollateralization. Subtracting the BACV of pledged collateral that was reported at year-end 2016 for U.S. insurers that did not report advances for that year, total pledged collateral to FHLB by U.S. insurers would be approximately \$94 billion.

In 2014, the FHLB system issued proposed rules where the definition of "insurance company" would exclude REITs and insurers, thereby preventing entities—such as real estate investment trusts (REITs)—that do not otherwise meet the statutory requirements from becoming FHLB members. The FHLB rule published on January 20, 2016 by the Federal Housing Finance Authority relative to FHLB membership set a FHLB member termination date of Feb. 19, 2017, for ca

