U.S. insurers reported holdings of FHLB capital stock with a par value of $6.6 billion in 2021, up from $6.3 billion in 2020. (See Table 1.) Life companies accounted for the majority of FHLB capital stock (close to 90% of the total) in both years. FHLB capital stock is reported at par value in the statutory financial statements, and it is only redeemable with the FHLB at par. Under the *Statement of Statutory Accounting*

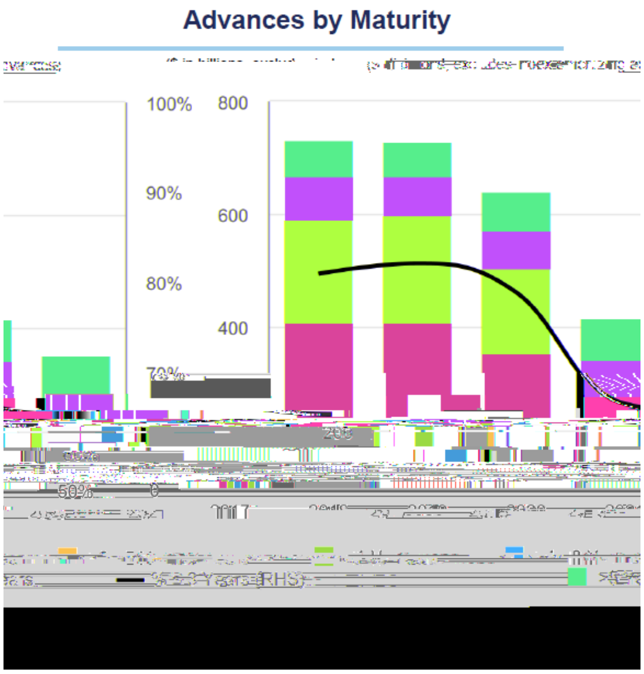
Advances

For any U.S. insurer to borrow funds from an FHLB regional bank, also known as advances, they must be a member of the specific FHLB regional bank. To become a member of an FHLB regional bank, U.S. insurers must first acquire FHLB capital stock. Then, prior to applying for an advance, insurers must acquire activity-based FHLB stock in an amount equal to a specified percentage of the outstanding principal balance of the extended advance.[1] FHLB capital stock held by insurers is reported as common stock, regardless of whether capital stock reflects membership, activity, or excess stock and regardless of the form of the advance; i.e., debt or funding agreement. The disclosure requirements for FHLB borrowings are included in SSAP No. 30R. U.S. insurers are required to disclose the aggregate amount of their borrowings from the FHLB, reflecting a compilation of all advances divided into categories of debt, funding agreements, and "other." Items captured as "other" could reflect repurchase agreements, securities lending, or other such transactions. FHLB advances are a stable source of low-cost funding with maturities that can vary from short-term to up to 30 years based on the needs of the U.S. insurer. Advances can be structured in different forms and are generally reflected as debt or funding agreements; i.e., for life companies that are licensed to issue deposit-type contracts. Advances may be used for a variety of purposes. For U.S. insurers, there has been increased usage of FHLB advances over the years, particularly in the form of funding agreements. According to *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 52—Deposit-Type Contracts*, U.S. insurer advances from an FHLB are evaluated on an individual basis and accounted for in accordance with 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 were life companies (139 in number), followed by 89 P/C companies, and 28 title and health companies combined.

U.S. insurers reported *maximum* advances totaling about $141.4 billion for 2021, representing a 5.3%

estate-related loan types, such as commercial real estate. The amount of collateral required depends on the type of collateral pledged, which must also be identified as a restricted asset in the statutory financial statements. That is, *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* requires U.S. insurers to disclose amounts that are reported in the financial statements but are "restricted" because they are pledged as collateral or under the exclusive control of the insurer.

In the Notes to the Financial Statements (Note 11 – Debt), U.S. insurers reported $180.1 billion in assets pledged as collateral to the FHLB system at year-end 2021, up from $167.4 billion as of year-end 2020. (See Table 4.) 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. The maximum collateral



Source: FHLB Investor Presentation, April 2022.

Similar to the year prior, the majority of collateral posted by members to secure FHLB advances consisted of single-family residential mortgage loans at 47.6% of the total at year-end 2021, followed by commercial real estate loans at 23% of the total. (See Chart 4.)

Source: FHLB Investor Presentation, April 2022.

The FHLB issues senior unsecured bonds through its Office of Finance that are “joint and several” obligations (or consolidated obligations) of all its regional banks. This means that all regional banks are responsible for the full and timely payment of principal and interest on the bonds regardless of which one of the 11 issued the bonds. Investors in FHLB bonds include domestic and international institutional investors, as well as individuals. The bonds are high-credit quality, rated AA+ and AAA