The Honorable Sandra Thompson  
Director  
Federal Housing Finance Agency (FHFA)  
400 7th Street, SW  
Washington, DC 20019

March 10, 2023

Dear Director Thompson,

EMPLOYERS Holdings, Inc. and its subsidiaries (EMPLOYERS) welcomes this opportunity to comment on the Federal Home Loan Bank system, the importance of its role and mission, and benefits provided to its member insurance companies.

EMPLOYERS is a mono-line workers compensation carrier representing five-member insurance companies with the Federal Home Loan Bank of San Francisco (FHLB-SF). These are: Employers Insurance Company of Nevada, Employers Compensation Insurance Company, Employers Preferred Insurance Company, Employers Assurance Company, and Cerity Insurance Company. EMPLOYERS relies upon the FHLB-SF as its primary source of immediate and/or emergency liquidity and as the only low-cost provider for its letters of credit, which are used to satisfy statutory deposit requirements, as mandated by the California Department of Insurance.

EMPLOYERS has not been a long-term advance borrower of the FHLB-SF, typically using overnight or short-term advances of 90-days or less. However, EMPLOYERS did maximize the zero percent interest rate advances offered during the COVID-19 pandemic, in both six- and twelve-month terms. These funds benefitted our policy holders, by allowing our insurance companies to delay cancelation for non-payment of premium and non-compliance with policy terms and conditions and helped to ensure business as usual through uncertain times for our employees, agents, policy holders, and claimants.

Since joining the FHLB-SF in 2016, EMPLOYERS has sponsored five grant proposals offered through the FHLB-SF, of which two were awarded for job placement and job training programs. EMPLOYERS has also participated in various matching donation programs offered through the FHLB-SF. Our donations totaled more than $250,000 and went directly to individuals and small businesses impacted by wildfires in California and Nevada and COVID relief programs aimed at assisting restaurants in California, Nevada, and Arizona.

We believe in the mission of the FHLB system and understand the important role insurance companies play in helping to maintain price stability within the mortgage market. Roughly $100 billion of mortgages are purchased annually by insurance companies, allowing for mortgage originators to originate new loans with less long-term capital. The insurance companies can offset much, if not all, of the liquidity risk of the mortgage assets by pledging them to the FHLB in times of crisis or to use as collateral for letters of credit, as EMPLOYERS does. The FHLB system works and provides economic efficiencies embedded within our capital markets and economy. Disruptions to this market equilibrium impact home affordability and can add significant risks to insurance companies in times of market stress, which may lead to higher rates and potential defaults within the industry.

EMPLOYERS greatly values and appreciates its membership(s) with the FHLB-SF and applauds the FHFA’s role as the principal regulator of the FHLB system and for its partnership and collaboration with the insurance industry.

Sincerely,

Michael Paquette

Executive Vice President and Chief Financial Officer