December 14, 2014

Alfred M. Pollard, Esq., General Counsel  
Attention: Comments/RIN 290-AA39  
Federal Housing Finance Agency  
400 Seventh Street SW, Eighth Floor  
Washington, D.C. 20025

**Re: Notice of Proposed Rulemaking: Request for Comments – Members of the Federal Home Loan Banks**

Dear Mr. Pollard,

I am submitting my comment to express concerns about the Federal Housing Finance Agency’s notice of proposed rulemaking and request for comments on “Members of the Federal Home Loan Banks” published on September 12, 2014. I request you withdrawal this proposal for the reasons outlined below.

I’ve worked in the insurance industry for over 40 years; first as an auditor of insurance entities, then running a managing general agency, as a CFO for a publically traded insurer and more recently as an independent Director for both traditional and captive insurers. The proposed rule concerns me for many reasons but I will focus my commentary on your proposed changes to insurance company membership.

Arbitrarily changing membership requirements and eligibility is worrisome for many reasons. Firstly, it sets a dangerous precedent that the Regulator of the Federal Home Loan Banks has created a new function that was never intended by Congress. Secondly, I’m concerned the reduction of membership and borrowing due to the proposal will destabilize the FHLB system. And finally it potentially opens the door for additional changes that are currently outside the scope of the Regulator.

The Proposed Rule would prohibit captive insurance companies from becoming members. It does so by defining insurance companies to mean “a company whose primary business is the underwriting of insurance for nonaffiliated persons or entities”. It is apparent that the Regulator’s intent is to exclude captive insurance company members and phase out existing captive members. Captive insurance companies have been members of the FHLB system for over twenty years and have contributed to the success and growth of this well-oiled cooperative.

Throughout the NPR the Regulator raises concerns around the Safety and Soundness of captives and their lack of adequate supervision.

I do not believe captive insurance company members pose greater risk to the FHLB system. All members, including captives are subject to the same underwriting guidelines and procedures for membership. In addition the Banks require overcollateralization as a way to safeguard their advances and mitigate any potential losses.

The FHFA does not provide any empirical support that captives have a greater risk of failure than other FHLB members. Captive insurance companies have been members of FHLB system since 1994 and to date captive insurance companies have had a lower rate of failure than traditional insurance companies and other types of FHLB members. In terms of adequate supervision, captives are subject to similar regulations as traditional insurance companies and greater oversight and supervision than CDFIs

In addition to captive insurance companies, the proposal will impact traditional insurers and require several to lose membership which will impact the overall system.

Imposing unnecessary rules on insurance company membership will impact the FHLB system and weaken the system, the exact opposite of what a Regulator wants. It is my opinion these actions should be left to Congress and Congress alone.

Sincerely,



Travis Bickle