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## **DELAWARE INSURANCE COMMISSIONER** **STEWART QUESTIONS FEDERAL HOME LOAN** **BANK MEMBERSHIP PROPOSALS**

*Commissioner Karen Weldin Stewart Proposes Task Force to Address Economic Impact of Federal Housing Finance Agency's Proposed Rules*

**Dover, DE** - Delaware Insurance Commissioner Karen Weldin Stewart, CIR-ML, through a letter sent by her Department to the Federal Housing Finance Agency (FHFA), expressed serious concerns regarding an Advance Notice of Proposed Rulemaking (ANPR) issued by the FHFA. The Commissioner said, "While I am pleased that the Federal Housing Finance Agency is seeking to increase its understanding and knowledge of the insurance industry, its proposals placing constraints on the Federal Home Loan Bank (FHLB) only serves to place an unnecessary barrier to insurance companies becoming members and maintaining membership in the FHLB system."

The proposals include two aspects of FHLB membership. First, whether insurance companies must maintain ten percent (10%) of their assets in residential mortgage loans throughout their membership period and second, whether captive insurance companies should be FHLB members. Commissioner Stewart continued, "I would urge Acting Director, Edward J. DeMarco of the FHFA to form a task force in advance of considering the adoption of any the proposals in the ANPR. The Task Force would include the FHFA, the Federal Home Loan Bank (FHLB), insurance regulators and representatives from the insurance industry. It would also enhance the FHLB's and the FHFA's understanding of the insurance industry as well as to make clear why insurance companies value FHLB membership and the belief in the need for greater flexibility in utilizing such membership."

In connection with the 10% requirement, the Commissioner pointed out that such a mandate would conflict with an insurance company's sound management of its investments because such a requirement is inconsistent with the nature of insurance. Further, it would not be a recommended asset level for an insurer's solvency.

Commissioner Stewart said, “Not to put too fine a point on this but the mission of insurance is to insure risk – not make residential mortgages.”

Concerning the inaccurate perception that captive insurance companies are subject to a lesser degree of supervision than their commercial insurance counterparts, the Commissioner said, “Captive insurance companies are indeed subject to the degree of supervision contemplated by the Federal Home Loan Bank Act. The Act does not distinguish between commercial and captive insurance companies and mandates that both be subject to inspection and regulation under the laws of a state. Such inspection and regulation includes capitalization standards, reports of financial conditions, inspections and examinations once every three years, annual audits and a host of other requirements and prohibitions.”

The Commissioner concluded, “My Department and I stand ready to offer our help and assistance in making the proposed task force a reality. My state has 131 commercial insurance companies as well as 101 captive insurers thus making it a perfect fit to be a representative of state insurance departments”