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## *The Maryland House of Delegates*

ANNAPOLIS, MARYLAND 21401

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### **Testimony in Support of House Bill 504 – Insurance—Impaired Entities—Delinquency Proceedings**

Good afternoon Mr. Chairman and members of the committee. Thank you for the opportunity to speak to you on behalf of **House Bill 504 – Insurance—Impaired Entities—Delinquency Proceedings**. This bill will amend the receivership provisions in the Insurance Article to detail the rights and responsibilities of Federal Home Loan Banks in the event of an insurance company receivership.

The Federal Home Loan Banks (FHLB) are member owned cooperatives that provide competitively priced financing to their members, which include banks, credit unions, community development financial institutions and insurance company members. In Maryland, there are 80 members in total, of which five are insurance companies.

The FHLB offers better collateral terms to its insured depository institution members because the FHLB's status in the event of the failure of an insured depository-borrower is made clear in the federal banking and credit union laws and regulations. Insurance companies are not subject to those laws, rather they are subject to the receivership provisions in the Insurance Article. The status of the FHLB in the event of a receivership of an insurance company-borrower is not clear in the Insurance Article. For this reason, the FHLB is required to impose a deeper discount on the collateral pledged by an insurance company for a FHLB loan (requiring more collateral to secure the loan), when compared to the discount on the collateral pledged by an insured depository member. At this time, FHLB Atlanta also does not accept the pledge of mortgage loan collateral from Maryland insurers, but would be able to do so in accordance with its regulator's requirements if the legislation were enacted.

House Bill 504 meets or exceeds all recommendations that the National Association Of Insurance Commissioners made after studying the FHLB's requested changes to the insurance laws in 2013. This legislation has been enacted in 19 states, including our neighbors Pennsylvania, West Virginia, and Delaware. Maryland's five domestic insurance company members and the Maryland's Bankers Association support this bill.

House Bill 504 puts insurance company members on a level playing field with insured depository members and with insurance companies in states that have enacted this legislation. I respectfully request a favorable report.