



Senate Bill 458 – Insurance – Impaired Entities – Delinquency Proceedings
Senate Finance Committee
February 10, 2021
Support

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional and nation-wide banks that employ more than 26,000 Marylanders and hold more than \$182 billion in deposits in over 1,400 branches across our State. The Maryland banking industry serves about 6 million customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking and more.

MBA supports Senate Bill 458, which amends Maryland law to align the statutory lien status of certain assets, including collateral, of insurance company members of the Federal Home Loan Bank (FHLBank) with that of federal law as it applies to federally insured depository institution members of the Federal Home Loan Bank. The Federal Home Loan Bank of Atlanta is a member of the Maryland Bankers Association and is one of eleven regional FHLBanks that were uniquely established by Congress in 1932 as cooperative banks to serve their members (which are their shareholders) as a source of funding and liquidity. FHLBank members are banks, thrifts, credit unions, insurance companies and community development financial institutions. Insurance companies have been eligible FHLBank members since the FHLBanks' inception. FHLBank Atlanta serves hundreds of members along the Southeast Atlantic coast from Maryland to Florida, including 80 members in Maryland, of which five are insurance companies.

Passage of SB 458 will level the playing field for insurance companies, providing them with the opportunity to have improved funding costs and a broader category of eligible collateral as FHLBank members. This improved access to liquidity should also enhance the ability of Maryland insurance companies to serve their Maryland policy-holders. In addition, improved access to and more cost effective liquidity should help create an even more stable and sound insurance system. Specifically, it ensures the priority of the FHLBanks' position regarding the collateral that supports its members' borrowing. Insurance companies access low-cost borrowing from the FHLBank for a variety of funding needs, including to meet unexpected claims related to such things as hurricanes or other natural disasters.

Senate Bill 458 will result in the FHLBank working more closely with the Maryland Insurance Administration to ensure that, in the event of an insurance company rehabilitation, it may be handled in as smooth a manner as possible, assisting the regulator in maintaining adequate liquidity through the process. The National Association of Insurance Commissioners studied the FHLB's requested changes to the insurance laws in 2013 and made a series of recommendations to the states considering enacting the FHLB's proposal. Senate Bill 458 meets or exceeds every one of the NAIC's recommendations.

This legislation has been enacted in 19 states so far, including Pennsylvania, Delaware, and West Virginia. Additional states are considering the legislation this year. Passage of this legislation will help ensure that Maryland insurance company members of the FHLBank are not at a disadvantage to insurance company members in states that have already adopted the legislation.

The Maryland Bankers Association strongly supports Senate Bill 458 and urges the Committee to give the bill a favorable report.