

ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1746

STATE OF NEW JERSEY

DATED: OCTOBER 13, 2022

The Assembly Financial Institutions and Insurance Committee reports favorably Assembly Bill No. 1746.

This bill revises the effects of delinquency and insolvency proceedings against insurer-members of federal home loan banks. Specifically, the bill provides that the commencement of a delinquency proceeding with respect to an insurer-member shall not operate as a stay, injunction, or prohibition of exercise by a federal home loan bank of its rights regarding collateral pledged by that insurer-member.

The bill provides that a receiver may not void a transfer of money or other property arising under or in conjunction with a federal home loan bank security agreement, except under certain circumstances. The bill also provides that a receiver for an insurer-member subject to a delinquency may not void a transfer made to a federal home loan bank, except under certain circumstances.

The bill provides, following the appointment of a receiver for an insurer-member and upon request of the receiver, that a federal home loan bank is required to provide a process and establish a timeline for:

(1) the release of the collateral that exceeds the lending value required to support secured obligations remaining after a repayment of advances, as determined in accordance with the federal home loan bank security agreement;

(2) the release of any collateral remaining in the federal home loan bank's possession following repayment of all outstanding secured obligations in full;

(3) the payment of fees and the operation of deposits and other accounts with the federal home loan bank; and

(4) the possible redemption or repurchase of federal home loan bank stock or excess stock of any class that an insurer-member is required to own.

Upon the request of the receiver for an insurer-member, the federal home loan bank is required to provide any available options for the insurer-member to renew or restructure an advance to defer associated prepayment fees, to the extent that market conditions, the terms of the advance outstanding to the insurer-member, the applicable policies of the federal home loan bank, and compliance with the "Federal Home

Loan Bank Act” (12 U.S.C. s.1421 et seq.) and corresponding regulations permit.

The bill provides that it does not affect the receiver’s rights pursuant to federal regulations regarding advances to an insurer-member in delinquency proceedings.

Due to differences between federal and State law, federal home loan banks require more stringent and burdensome collateral terms from New Jersey-domiciled insurance companies, even if the credit worthiness of a New Jersey-domiciled insurance company is superior to other members of the bank. By amending New Jersey law to comport with federal law, federal home loan banks will be able to offer their New Jersey-domiciled insurance company members collateral on terms similar to those offered to the other federal home loan bank members, which are more favorable than the terms that can be presently offered. Further, this bill requires federal home loan banks to communicate and work with receivers to provide available options for the federal home loan banks, where permissible, to provide liquidity to help stabilize troubled insurance companies.

This bill was pre-filed for introduction in the 2022-2023 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.