

FHLBank Boston

Providing highly reliable wholesale funding and liquidity to member insurance companies

2024





Benefits of Membership

- Easy to use
- Low-cost funding
- Improves financial flexibility
- Funding available in all business cycles
- Viewed favorably by rating agencies and regulators



Key Membership Qualification Criteria

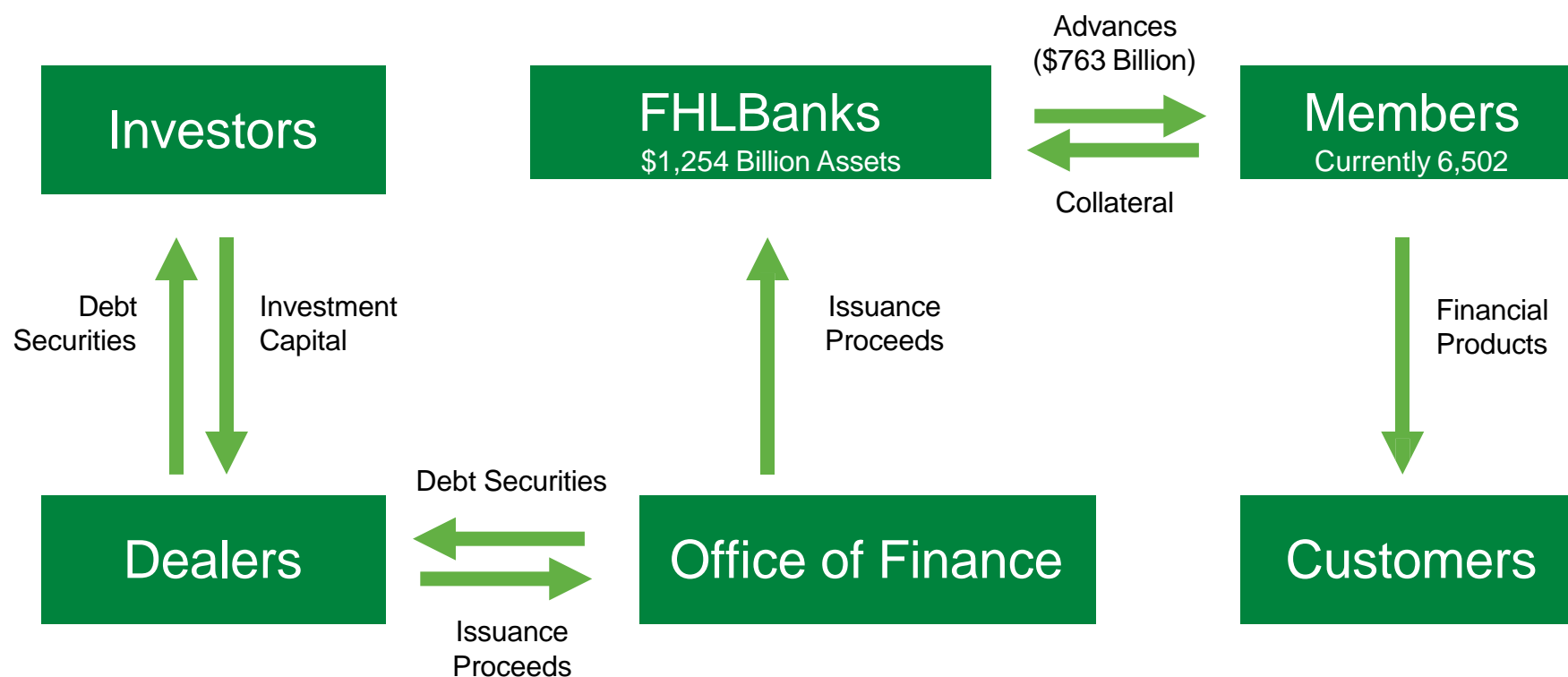
- Insurance company duly organized and subject to inspection and regulation
- Makes long-term home mortgage loans (*e.g., holds mortgage-backed securities*)
- Demonstrates character of management and sound financial condition
- Membership is at insurance entity level

Federal Home Loan Bank System Overview

- **Established by Congress** in 1932 to provide liquidity and funding to member institutions
- **Regulated by Federal Housing Finance Agency** and subject to the terms of FHLBank Act
- **Cooperative Structure** – Bank is owned by its members
- **Offers Low-Cost Loans to Members** – Economies of scale, GSE Status, and Tax Exempt Status
- **Extremely Secure** – FHLB debt is the joint obligation of all 11 banks



How the FHLBank System Works



All debt securities issued through the Office of Finance are the joint and several obligations of the 11 FHLBanks. As of 1Q 2024 data.

Rating Agency & Industry Perspective



FHLB programs provide financial flexibility for insurance company members and are an attractive source of capital because of the low rate offered on advances.

– AM Best

Access to an alternative, low-cost funding source is credit positive. The FHLBs offer eligible insurers access to low-cost, collateralized borrowing capacity for both their ordinary operating needs and emergency liquidity.

– Moody's

From a source of emergency liquidity and working capital to aiding asset/liability matching strategies, the aggregate amount of insurance company borrowing from Federal Home Loan Banks has accelerated for the last several years and may be poised to do so again in 2019.

– SNL Financial

Fitch Ratings believes that membership in the Federal Home Loan Bank (FHLB) system can enhance liquidity and financial flexibility for insurance companies, particularly those insurers with limited access to capital markets.

The FHLB is able to source funds at very low rates due to its position as a government-sponsored entity (GSE).

– Fitch Ratings

Although not immune to major market dislocations, the FHLB System has proven to be a stable source of funding through good times and bad.

A material dislocation in financial markets will not likely affect the FHLB in providing insurers this alternative access to funding.

– S&P

The borrowing capacity provided by the FHLB can be a powerful tool for managing risk and profitability.

– NAMIC publication



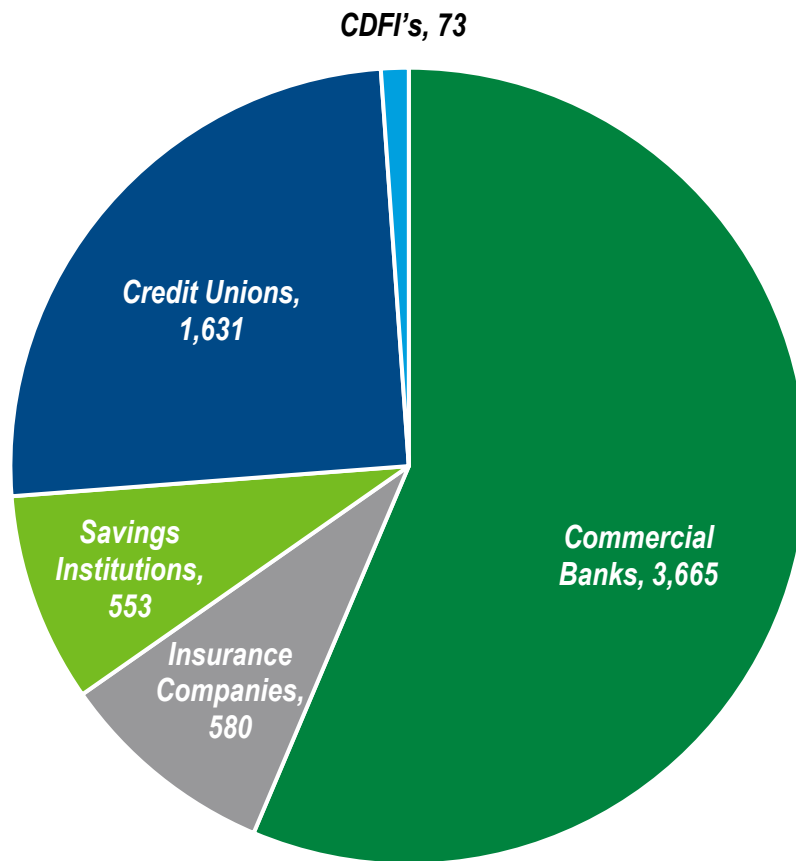
Total Insurance Company Membership – FHLB System

Strong and steady increase in membership

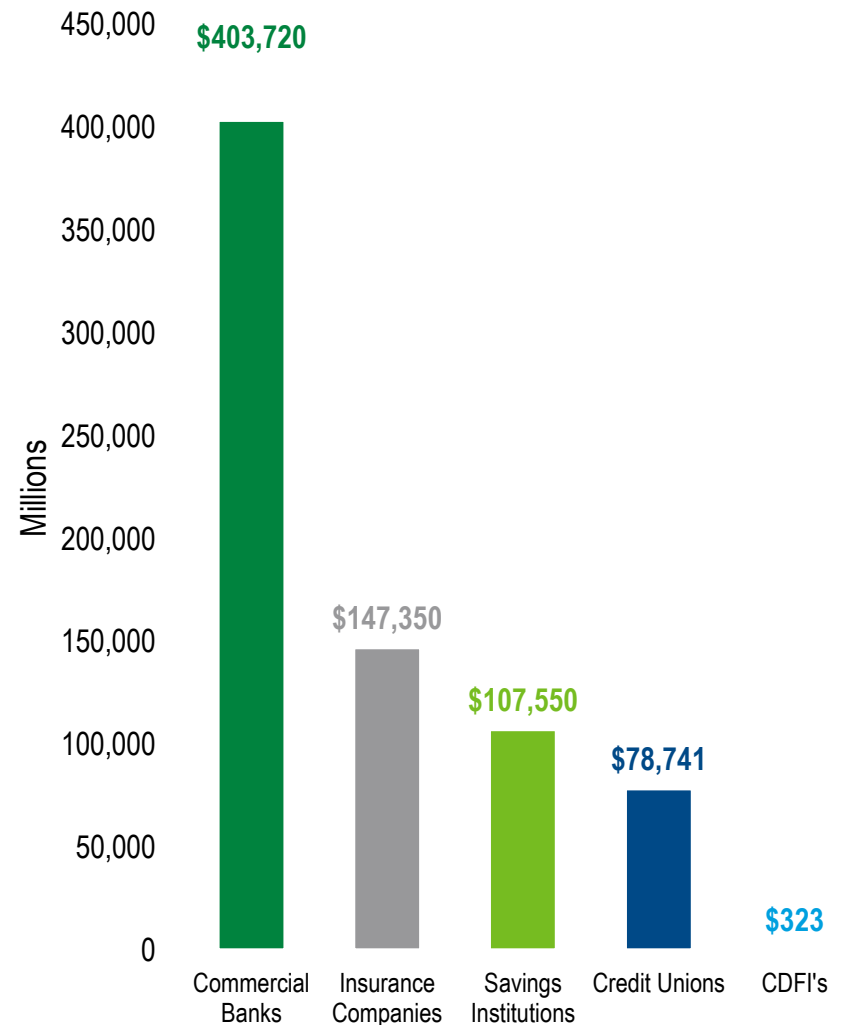


Member Types

Number of Members



Advances by Members



1Q 2024 Data

Source: Office of Finance Consolidated Financials

Life Companies

1. Amica Life Insurance
2. Boston Mutual Life Insurance
3. Commonwealth Annuity & Life
4. Empower Annuity Insurance
5. First Allmerica Financial Life
6. Hartford Life and Accident
7. Massachusetts Mutual Life Insurance
8. Merit Life Insurance
9. National Life Insurance
10. Nassau Life Insurance
11. Nassau Life and Annuity
12. PHL Variable Life Insurance
13. SBLI of Massachusetts
14. Starmount Life Insurance
15. Talcott Resolution Life Insurance
16. Talcott Life and Annuity Insurance
17. Unum Life Insurance
18. Vantis Life
19. Voya Retirement Insurance & Annuity

Health Companies

20. Aetna Life Insurance
21. Blue Cross Blue Shield of MA
22. Blue Cross Blue Shield of MA HMO Blue
23. Blue Cross Blue Shield of RI
24. Blue Cross Blue Shield of VT
25. Fallon Community Health
26. Harvard Pilgrim Health Care

Depositors Insurance

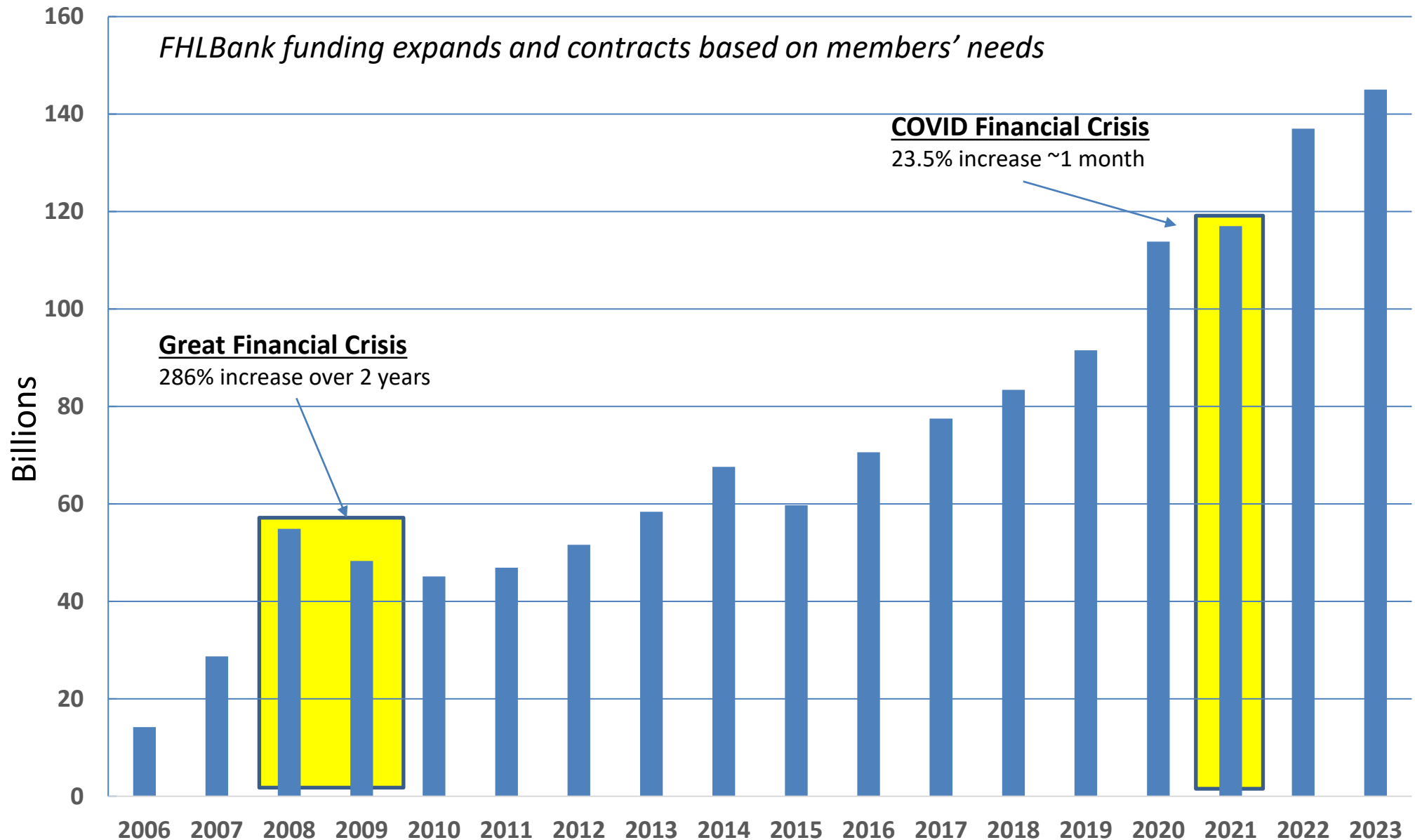
27. Depositors Insurance Fund
28. Mass Credit Union Share Ins.

P&C Companies

29. AIM Mutual
30. Alliance of Non Profits, RRG
31. American European
32. American Excess, RRG
33. Amica Mutual Insurance
34. Arbella Mutual Insurance
35. Aspen American Insurance
36. Aspen Specialty Insurance
37. Barnstable County Mutual
38. Beacon Mutual Insurance
39. Citizens Insurance Co of America
40. Commerce Insurance Co
41. Community Hospital Alternative for Risk Tr, RRG
42. Connecticut Attorneys Title
43. Coverys, RRG
44. CW Reinsurance Co
45. Danbury Mutual
46. Dorchester Mutual
47. Eastern Dentist, RRG
48. Farmers Property & Casualty
49. Fitchburg Mutual
50. Hanover Insurance Co
51. Hartford Fire Insurance
52. Hingham Mutual
53. Hospitality Mutual
54. Housing Authority Property Insurance
55. Housing Authority, RRG
56. ICI Mutual, RRG
57. Integris Insurance
58. Ironshore Specialty Insurance Co
59. Lexington Insurance (AIG)
60. Liberty Mutual Insurance Co
61. Maine Employers Medical Mutual
62. MCIC Vermont, RRG
63. Medical Professional Mutual
64. MEMIC Casualty
65. MEMIC Indemnity
66. MMG Insurance
67. Narragansett Bay Insurance
68. New London County Mutual
69. Norfolk and Dedham
70. Odyssey Reinsurance
71. Ohio Casualty Insurance
72. Patrons Co-operative Fire Insurance
73. Peerless Insurance Co
74. Providence Mutual Fire Insurance
75. Quincy Mutual Insurance
76. Safeco Insurance Co of America
77. Safety Insurance
78. Vermont Mutual
79. Union Mutual
80. United Educators, RRG
81. Yosemite Insurance



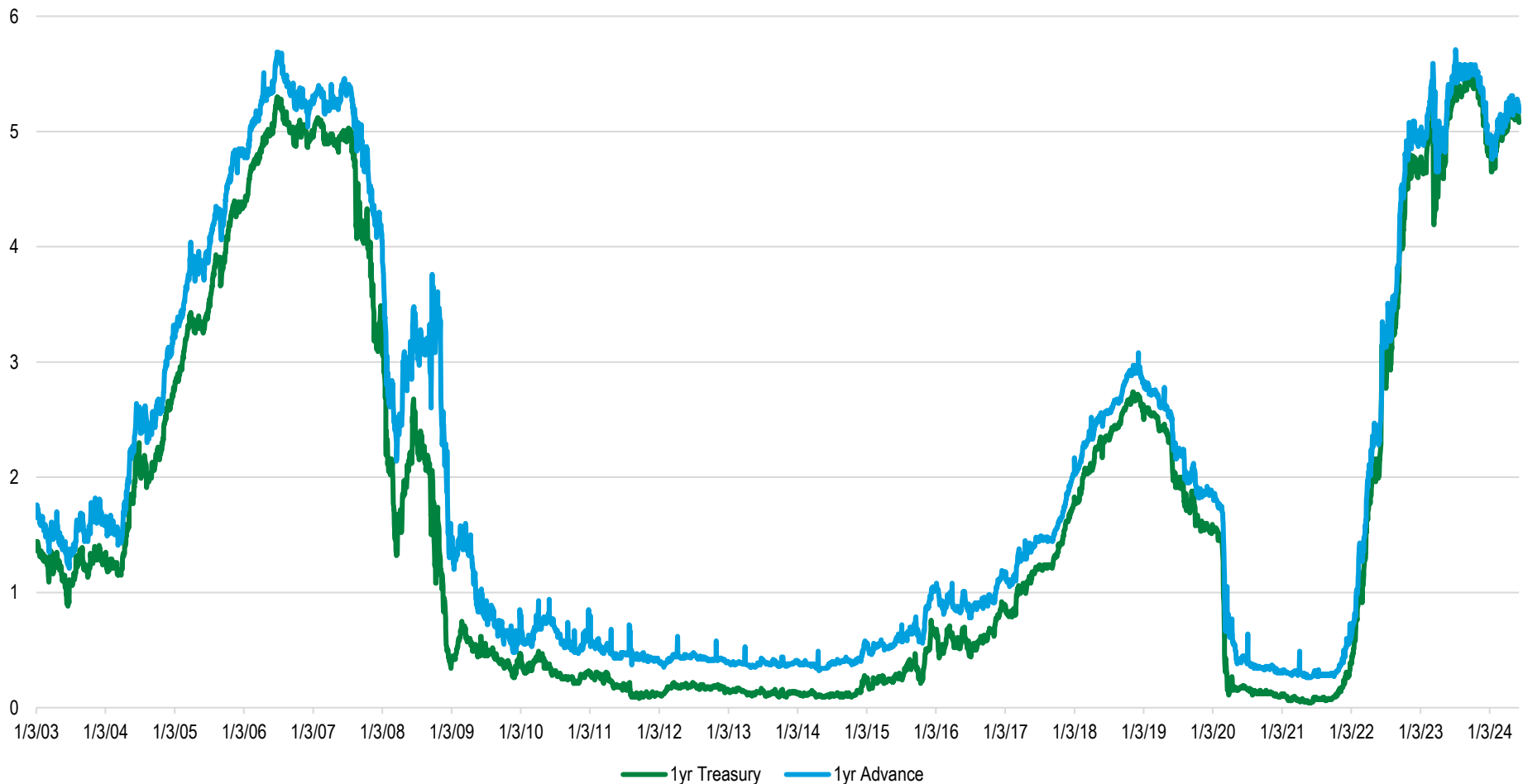
Total Insurance Company Advances - FHLB System



Stable Funding

As one of the largest and most consistent issuers of debt in the capital markets, FHLBank trades at narrow spreads to Treasuries.

FHLBank Boston 1-yr Classic Advance vs. 1-yr Treasury



Source: FHLBank Boston, Federal Reserve Bank of St. Louis

FHLBank Funding

Advances (Loans)

- Easy one-phone-call access to funds
- Terms from overnight out to 30+ years
- Fixed v. floating and bullet v. amortizing
- All types of derivatives can be embedded
- Same-day settlement for term funding available until noon
- Overnight funding available until 5:00 p.m.

Letters of Credit

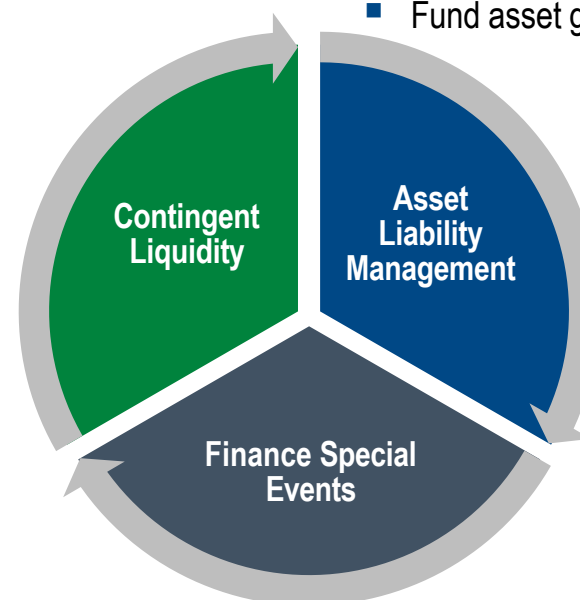
- FHLB Boston is an NAIC-approved bank for Letters of Credit

Housing + Community Investment

- Affordable Housing Program
- Community Development Advance Program

Funding Usage

- Cash management
- Emergency/backup liquidity
- Fill reinsurance payment gaps
- Gain liquidity from illiquid assets
- Strategies for matching maturity & liability portfolio
- Additional revenue from spread management
- Interest-rate-risk management
- Fund asset growth



- Other funding needs, e.g., M&A, fund retirement plan, purchase/renovate a building

As a co-op structure, members purchase capital stock

The member purchases the following capital stock:

Stock	Membership	Activity
Frequency of calculation	Annual – stock level can go up or down	When borrowing
Calculation	.0005 x admitted assets	.03 x overnight \$ borrowings .04 x >overnight \$ borrowings
How long held	Held as long as entity is a member. Redeemed 5 years after termination.	Eligible to be redeemed when borrowing matures

All membership & activity stock eligible to receive dividend.

1st quarter 2024 dividend = 8.4% annualized (SOFR plus 300bp)

Stock is always redeemed at \$100 par value

The Borrowing Process

1) Submit collateral

After the haircuts, the value of pledged assets \geq the total loans outstanding.

Insurance Company

Eligible Types of Assets for Collateral:

- Treasuries & other US Securities
- Agencies (e.g. FNMA & FHLMC)
- CMBS AAA, AA, A
- Municipal securities with real estate nexus
- Residential loans and Multi-family loans
- Commercial real estate loans

Custodian Options

1. Deliver to FHLBank Boston
2. Bank of America/US Trust
3. BNY Mellon
4. CitiBank
5. Fifth Third
6. JP Morgan
7. Northern Trust
8. State Street
9. Wells Fargo

2) Receive low-cost funding

Borrowing capacity is 40 percent of admitted assets but could be limited due to amount of eligible collateral or financial condition

3) Purchase activity stock

May be redeemed after borrowing matures.

Overnight term = 3 percent of borrowing
> Overnight term = 4 percent of borrowing



Summary Level Steps to Membership

STEP 1	See FHLBank Boston website for membership application
STEP 2	Have the insurance entity's Board of Directors pass a corporate resolution (see application)
STEP 3	Have insurance regulator acknowledge membership
STEP 4	Submit Application with following: <ul style="list-style-type: none">▪ Statement that company supports housing finance mission by investing in related assets (MBS, etc.)▪ Last quarterly and year-end statement filed with state commissioner, most recent regulatory examination report▪ Brief bio of Senior Management, Most recent annual report, By-laws and Articles of Incorporation▪ Statement that you meet NAIC capital requirements (Risk Based Capital > minimum)▪ List of established lines of credit▪ Correspondent Services Agreement (in the application package)
STEP 5	Upon approval of membership or earlier: <ul style="list-style-type: none">▪ Submit legal counsel opinion (see application) #1 – 6 can be house counsel, #7 – 9 outside counsel▪ Establish authorities with the Bank▪ A custodian account will be established▪ Purchase membership stock within 60 days of approval



Active FHLBank Boston Membership