# MAINE STATE LEGISLATURE

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## 132nd MAINE LEGISLATURE

### FIRST REGULAR SESSION-2025

**Legislative Document** 

No. 720

H.P. 459

House of Representatives, February 25, 2025

An Act to Protect Federal Home Loan Banks That Lend Money to Insurer Members That Become Delinquent

Received by the Clerk of the House on February 20, 2025. Referred to the Committee on Health Coverage, Insurance and Financial Services pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

ROBERT B. HUNT
Clerk

Presented by Representative FOLEY of Wells.
Cosponsored by Senator HAGGAN of Penobscot and
Representatives: FLYNN of Albion, MORRIS of Turner, OLSEN of Raymond, Senator:
BAILEY of York.

#### Be it enacted by the People of the State of Maine as follows:

- Sec. 1. 24-A MRSA §4353, sub-§22 is enacted to read:
- <u>22. Federal home loan bank.</u> "Federal home loan bank" means an institution established under the Federal Home Loan Bank Act, 12 United States Code, Sections 1421 to 1449.
  - Sec. 2. 24-A MRSA §4353, sub-§23 is enacted to read:
  - 23. Insurer member. "Insurer member" means an insurer that is a member of a federal home loan bank.
    - Sec. 3. 24-A MRSA §4362, sub-§4 is enacted to read:
- 4. Notwithstanding subsections 1, 2 or 3 or any provision of this chapter to the contrary, a person may not for more than 10 days be restrained, enjoined or prohibited from exercising or enforcing any right or cause of action under any pledge, security, credit, collateral, loan, advance, reimbursement, guarantee agreement or arrangement or any similar agreement, arrangement or other credit enhancement to which a federal home loan bank is a party.
  - Sec. 4. 24-A MRSA §4362, sub-§5 is enacted to read:
- 5. A federal home loan bank exercising its rights regarding collateral pledged by an insurer member of the federal home loan bank shall, within 7 days of receiving a redemption request made by the insurer member, repurchase the insurer member's outstanding capital stock in excess of the amount the insurer member must hold as a minimum investment. The federal home loan bank shall repurchase the excess outstanding capital stock only to the extent that the federal home loan bank determines in good faith that the repurchase is:
  - A. Permissible under federal law, federal regulation and the federal home loan bank's capital plan; and
  - B. Consistent with the capital stock practices currently applicable to the federal home loan bank's entire membership.
    - Sec. 5. 24-A MRSA §4362, sub-§6 is enacted to read:
- 6. No later than 10 days after the date of appointment of a receiver in a proceeding under this chapter involving an insurer member of a federal home loan bank, the federal home loan bank shall provide to the superintendent a process and a timeline for the following:
  - A. The release of any collateral held by the federal home loan bank that exceeds the amount that is required to support the secured obligations of the insurer member and is remaining after any repayment of loans as determined under any applicable agreement between the federal home loan bank and the insurer member;
- B. The release of any collateral of the insurer member remaining in the federal home loan bank's possession following repayment in full of all outstanding secured obligations of the insurer member;

- C. The payment of fees owed by the insurer member and the operation, maintenance, 2 closure or disposition of deposits and other accounts of the insurer member, as mutually 3 agreed upon by the superintendent and the federal home loan bank; and
  - D. Any redemption or repurchase of federal home loan bank stock or excess stock of any class that the insurer member is required to own under any agreement between the federal home loan bank and the insurer member.

#### Sec. 6. 24-A MRSA §4362, sub-§7 is enacted to read:

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7. Upon the request of the superintendent in a proceeding under this chapter involving an insurer member of a federal home loan bank, the federal home loan bank shall provide to the superintendent any available option for the insurer member to renew or restructure a loan. In determining any available option, the federal home loan bank may consider market conditions, the terms of any loans outstanding to the insurer member, the applicable policies of the federal home loan bank and the federal laws and regulations applicable to the federal home loan bank.

### Sec. 7. 24-A MRSA §4375-A, sub-§6 is enacted to read:

- 6. Avoidance of transfers. Notwithstanding subsection 1, 2, 3 or 4 or any provision of this chapter to the contrary, a receiver, rehabilitator, liquidator or any other person may not:
  - A. Avoid any transfer of or any obligation to transfer money or other property arising under or in connection with any pledge, security, credit, collateral, loan, advance, reimbursement or guarantee agreement or arrangement or any similar agreement, arrangement or other credit enhancement to which a federal home loan bank is a party that is made, incurred or assumed prior to or after the filing of a successful petition for rehabilitation or liquidation under this chapter, or otherwise would be subject to avoidance under this section, except the avoidance of a transfer under this section if the transfer was made with actual intent to hinder, delay or defraud the insurer, a receiver appointed for the insurer or an existing or future creditor; and
  - B. Avoid any preference arising under or in connection with any pledge, security, credit, collateral, loan, advance, reimbursement or guarantee agreement or arrangement or any similar agreement, arrangement or other credit enhancement to which a federal home loan bank is a party.

#### 32 **SUMMARY**

This bill protects federal home loan banks that lend money to an insurer and the insurer enters into a receivership, including:

- 1. Limiting to no more than 10 days restraining, enjoining or otherwise preventing a person from enforcing the person's rights or cause of action under any pledge, security, credit, loan or other similar arrangement to which the federal home loan bank is a party;
- 2. Requiring the federal home loan bank to repurchase any excess federal home loan bank capital stock held by an insurer within 7 days of receiving a redemption request from the insurer, subject to certain conditions;
- 3. Requiring the federal home loan bank within 10 days of the appointment of a receiver to provide the Superintendent of Insurance a process and timeline to release certain

collateral held by the federal home loan bank, payment of certain fees owed by the insurer and redeem or repurchase any excess federal home loan bank stock held by an insurer;

- 4. Requiring the federal home loan bank to provide to the superintendent any available options to renew or restructure the insurer's loan; and
- 5. Preventing the avoidance of any transfer of property or preference arising under or in connection to any pledge, security, credit, collateral, loan or other similar arrangement to which the federal home loan bank is a party, except for transfers made with actual intent to hinder, delay or defraud.