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Capital Stock and Advances Rise for U.S. Insurer FHLB Members in 2024

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Executive Summary

- As reported in the NAIC annual statement filings, the total number of U.S. insurers that were Federal Home Loan Bank (FHLB) members decreased by 3% from year-end 2024 to year-end 2023, but the change was not large enough to affect the overall percentage of U.S. insurers that were FHLB members year-over-year, which was 12%.
- FHLB capital stock held by U.S. insurers increased to \$8.6 billion at year-end 2024 from \$7.7 billion at year-end 2023, as capital stock holdings are required for FHLB membership and necessary to request an FHLB advance (i.e., borrowing).
- In the annual statement filings with the NAIC, U.S. insurers reported about \$160.6 billion in book/adjusted carrying value (BACV) of outstanding FHLB advances at year-end 2024, an increase of 11% from year-end 2023.
- As in previous years, funding agreements backed the majority of U.S. insurers' total FHLB advances at 84% of the total, which is the highest percentage over the last six years, according to the annual statement filings.
- Also, as reported in the annual statement filings, total collateral pledged by U.S. insurers to the FHLB system was \$321 billion at year-end 2024, representing a 15% increase from \$275 billion at year-end 2023.
- Total U.S. insurers' direct investment in FHLB bonds decreased to \$7.5 billion in 2024 from \$8.5 billion in 2023, according to the annual statement filings.

At year-end 2024, about 12% of U.S. insurers were Federal Home Loan Bank (FHLB) members, which was the same percentage as the year prior. However, the number of U.S. insurers that were FHLB members decreased by 3% to 541 at year-end 2024 from 559 at year-end 2023, according to annual statement filings with the NAIC. Property/casualty (P/C) insurers continued to account for almost half, or 48% of the total number of U.S. insurer FHLB members, followed by life insurers at 42%; title and health (mostly health) insurers accounted for the remainder. U.S. insurers may borrow from any one of the 11 FHLB regional banks (i.e., advances) if they become members by purchasing FHLB capital stock. According to



the FHLB's Combined Financial Report for the first quarter 2025 (1Q2025), the number of U.S. insurers that were FHLB members at year-end 2024 represented 6% of approximately 6,500 total FHLB members, while U.S. commercial banks accounted for the largest percentage of FHLB members at 60% (based on the principal amount of outstanding advances). These percentages remained unchanged for U.S. insurers and commercial banks as of 1Q2025, according to the Combined Financial Report.

The NAIC Capital Markets Bureau's [primer on the FHLB](#) discusses the FHLB system and U.S. insurers as FHLB members in more detail.

Increase in U.S. Insurers' Exposure to FHLB Capital Stock

FHLB capital stock is reported at par value in the statutory financial statements and is only redeemable with the FHLB at par. This means that FHLB capital stock is not traded on the open market; therefore, it is not subject to market value risk. At year-end 2024, U.S. insurers reported \$8.6 billion in total FHLB capital stock exposure, which was an 11% increase from \$7.7 billion at year-end 2023. (Refer to Table 1.) Life insurers accounted for the majority of FHLB capital stock at 90% of the total.

Table 1: U.S. Insurers' Exposure to FHLB Capital Stock, Year-End 2024 and 2023 (\$ par value in millions)

Statement Type	% of 2024		% of 2023	
	2024	Total	2023	Total
Life	7,787.6	90%	6,964.1	90%
P/C	598.1	7%	553.5	7%
Title and Health	231.0	3%	194.4	3%
Total	8,616.8	100%	7,712.0	100%

As described in the Combined Financial Report, FHLB capital stock is comprised of four components: activity-based stock, Class A, Class B, and excess capital stock. The number of advances, or borrowings, that an FHLB member is eligible to receive is determined by the amount of activity-based stock they hold. At year-end 2024, U.S. insurers had a total of \$6.6 billion in activity-based stock.

U.S. insurers' Class A stock and Class B stock totaled \$147 million and \$1.5 billion, respectively. A primary difference between the two membership class types is that Class A stockholders have a six-month notice period for redemption, and Class B stockholders can redeem over a five-year notice period. In addition, both Class A and Class B stock are subject to certain restrictions detailed in the FHLB's capital plan.

Excess capital stock is any amount held greater than required under the district bank capital requirement. U.S. insurers' excess capital stock totaled approximately \$247 million at year-end 2024. The year-over-year increase in FHLB capital stock reported by U.S. insurers corresponds to an increase in reported advances for the same period.

Large insurers (those with more than \$10 billion in assets under management) accounted for the majority of U.S. insurer FHLB members based on the par value of exposure to FHLB capital stock at year-end 2024.



(Refer to Table 2.) This means that \$7.3 billion, or 85% of U.S. insurers' FHLB capital stock, was held by large insurers, and 96% of that total (\$7.1 billion) was held by large life insurers.

Table 2: U.S. Insurers' Exposure to FHLB Capital Stock by Total Cash and Invested Assets, Year-End 2024 (\$ BACV in millions)

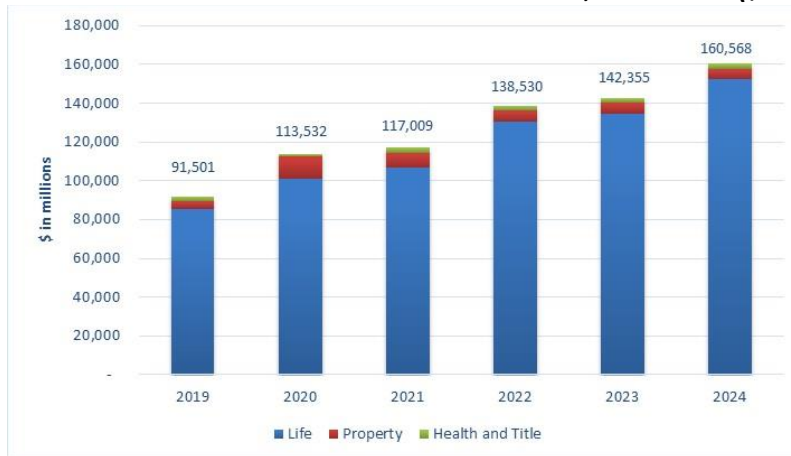
Assets Under Management	Life	P/C	Title and		Total	% of Total
			Health			
Less Than \$250 million	10.0	10.8	1.0		21.9	0%
\$250 million - \$500 million	8.4	10.9	3.2		22.4	0%
\$500 million - \$1 billion	19.7	38.1	27.0		84.8	1%
\$1 billion - \$2.5 billion	66.0	90.0	68.9		224.9	3%
\$2.5 billion - \$5 billion	217.7	107.7	58.6		384.0	4%
\$5 billion - \$10 billion	385.9	85.6	67.4		538.9	6%
Greater than \$10 billion	7,079.9	255.0	5.0		7,340.0	85%
Total	7,787.6	598.1	231.0		8,616.8	100%

Continued Increase in U.S. Insurers' Total FHLB Outstanding Advances

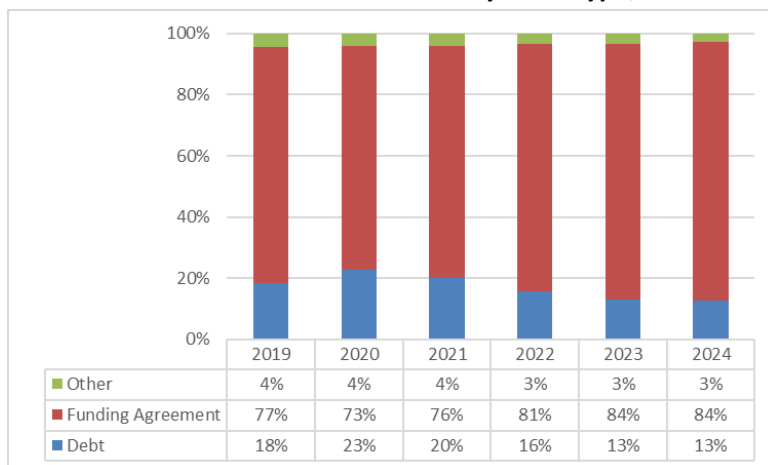
During an environment of relatively high interest rates, FHLB advances can be a comparatively stable source of low-cost funding. Maturities may vary from short-term to 30 years based on the borrower's needs. In addition to owning FHLB capital stock, and prior to applying for an FHLB advance, FHLB members must acquire activity-based FHLB stock in an amount equal to a specified percentage of the outstanding principal balance of the advance they are seeking.¹ In the annual statement filings with the NAIC, U.S. insurers disclose not only the aggregate amount of their FHLB borrowings, but they also identify whether the advances are categorized as debt, funding agreements (e.g., for life companies licensed to issue deposit-type contracts), or other types of advances.

FHLB outstanding advances for U.S. insurers at year-end 2024 totaled about \$160.6 billion, which was an increase of almost 13% from \$142.5 billion at year-end 2023. (Refer to Chart 1.) From 2019 to 2024, U.S. insurers' FHLB advances increased 75.5%. U.S. insurers have been increasingly using advances for operating leverage since they can be a relatively inexpensive source of funding. Through borrowing from the FHLB at a relatively low rate and investing in higher-yielding assets, some insurers are able to generate income from the spread differential, also known as a spread investment.

¹ FHLB New York, FHLB System Debt and Capital Stock Overview.

**Chart 1: U.S. Insurers' Historical FHLB Advances, 2019–2024 (\$ BACV in millions)**

The largest proportion of U.S. insurers' FHLB advances has consistently been through funding agreements (refer to Chart 2), which are deposit-type contracts that pay a guaranteed rate of return over a specified time period. Debt comprises most of the remainder. Funding agreements were 84% of total FHLB advances in 2023 and 2024, increasing from a low of 73% in 2020. Conversely, the proportion of debt has decreased over the same time period to 13% of U.S. insurers' FHLB advances in 2023 and 2024 from a high of almost 23% in 2020. Other types of borrowings have been less than 5% of total FHLB advances for U.S. insurers over the five years ending 2024.

Chart 2: U.S. Insurers' FHLB Advances by Debt Type, 2019–2024 (\$ BACV in millions)

In addition to reporting outstanding FHLB advances at year-end, U.S. insurers report maximum advances, or the total amount borrowed from the FHLB at any point in time during a given calendar year. At year-end 2024, maximum advances reported by U.S. insurers totaled about \$173.5 billion (refer to Table 3), which was an approximately 8% increase from \$162.5 billion at year-end 2023. Consistent with prior years, large insurers accounted for the majority of maximum FHLB advances in terms of book/adjusted carrying



value (BACV) at 88% of the total (\$153.4 billion), and life insurers accounted for 93% of the large insurer total (\$148.7 billion).

Table 3: FHLB Maximum Advances by U.S. Insurers’ Total Assets Under Management, Year-End 2024 (\$ BACV in millions)

Asset Under Management	Life	P/C	Health	Total	% of Total
Less Than \$250M	148.6	58.4	-	207.0	0%
Between \$250M and \$500M	52.5	103.2	41.0	196.8	0%
Between \$500M and \$1.0B	324.8	339.1	699.3	1,363.2	1%
Between \$1.0B and \$2.5B	1,164.8	673.1	1,421.7	3,259.7	2%
Between \$2.5B and \$5.0B	3,496.5	1,261.7	1,796.6	6,554.8	4%
Between \$5.0B and \$10.0B	8,558.9	698.3	1,075.2	10,332.3	6%
Greater Than \$10B	148,741.4	4,169.9	500.0	153,411.3	88%
Total	162,487.4	7,303.7	5,533.9	175,325.1	100%
% of Total	93%	4%	3%	100%	

Among the number of U.S. insurers that were FHLB members, 28 were private equity (PE)-owned, 20 of which were life insurers. The maximum FHLB advances borrowed by PE-owned insurers in 2024 totaled \$26.9 billion (15% of total U.S. insurers’ maximum advances), and they were all life insurers. At year-end 2024, PE-owned insurers had \$25.9 billion in outstanding advances, representing 16% of U.S. insurers’ total outstanding advances.

Increase in Collateral Pledged to FHLB Coincides with Increase in Outstanding Advances

U.S. insurers must pledge high-credit-quality eligible collateral to the FHLB to obtain advances in addition to purchasing activity-based stock. Eligible pledged collateral includes mortgages, government securities, or other real estate-related loan types (e.g., commercial real estate and residential real estate). The amount of required pledged collateral varies based on the quality and liquidity of the asset, and the fair value of pledged collateral must exceed the amount of the FHLB advance. Pledged collateral is identified as a restricted asset in U.S. insurers’ statutory financial statements since they are “promised” as collateral and not under the exclusive control of the insurer.

In the Notes to the Financial Statements (i.e., Note 11 – Debt), U.S. insurers reported \$321 billion as pledged collateral to FHLB at year-end 2024, which was approximately 17% more than the \$275 billion reported at year-end 2023. (Refer to Table 4.) The maximum collateral pledged by U.S. insurers throughout 2024 rose to \$347.3 billion from \$308.7 billion throughout 2023, which was a 12.5% increase. The most-named collateral type posted to the FHLB by U.S. insurers at year-end 2024 consisted of agency residential mortgage-backed securities (RMBS), which is consistent with prior years.

Table 4: U.S. Insurers’ Pledged Collateral, Year-End 2023 and 2024 (\$ BACV in millions)



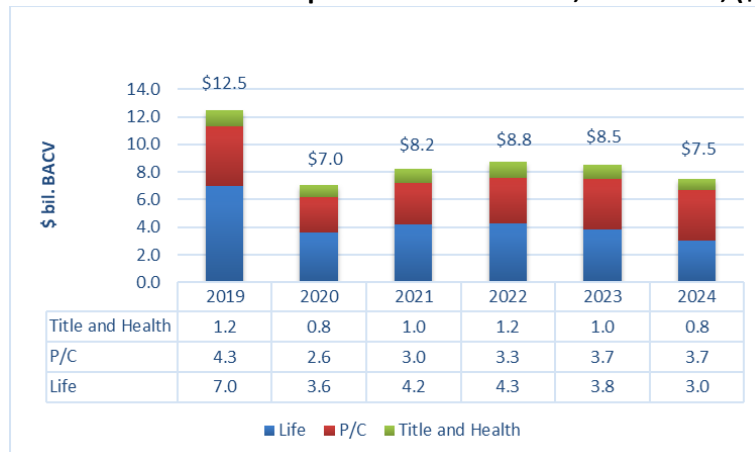
Statement Type	2024 Maximum Collateral	Pledged Collateral at Year-End 2024	Pct of Pledged Collateral at Year-End 2024	2023 Maximum Collateral	Pledged Collateral at Year-End 2023	Pct of Pledged Collateral at Year-End 2023
Life	318,857.5	296,924.9	92%	279,698.1	252,468.6	92%
P/C	19,654.1	18,211.4	6%	20,762.6	18,268.3	7%
Health	8,832.6	5,899.3	2%	8,241.1	4,340.8	2%
Total	347,344.2	321,035.7	100%	308,701.8	275,077.7	100%

Overcollateralization, or the excess of pledged collateral over advances, provides the FHLB with an additional cushion in the event of a member default. The increase in pledged collateral year over year is intended to not only cover existing advances but also for the insurers that intend to maintain an open but undrawn liquidity source, which includes any potential overall overcollateralization required. FHLB members may also pledge collateral in anticipation of FHLB advances to minimize any delay in accessing the liquidity.

U.S. Insurers' Exposure to FHLB Bonds Continues a Downward Trend

U.S. insurers invest directly in FHLB bonds, but they do not have to be members to do so. U.S. insurers' exposure to FHLB bonds has been declining over the past couple of years. At year-end 2024, U.S. insurers reported a total BACV of approximately \$7.5 billion in FHLB bonds, which was down almost 12% from \$8.5 billion at year-end 2023. (Refer to Chart 3.) The large decrease in FHLB bond investments from 2019 to 2020 could be due to insurers seeking more attractive yield opportunities, and in addition, there was a decrease in FHLB bond inventory from 2019 to 2020, as both FHLB debt issued and outstanding decreased over that time period, as noted in FHLB investor presentations. Note that during this time frame, interest rates had dropped to historic lows, which was a result of the Federal Reserve's response to the COVID-19 pandemic. From 2019 to 2024, U.S. insurers' exposure to FHLB bonds decreased by 40%.

Chart 3: U.S. Insurers' Exposure to FHLB Bonds, 2019–2024, (\$ BACV in billions)



Also similar to the year prior, P/C insurers accounted for most of the industry's FHLB bond exposure in BACV terms at year-end 2024. P/C insurers' FHLB bond exposure totaled approximately \$3.7 billion at



year-end 2024, representing 49% of the total, compared to effectively the same BACV but 43% of the total at year-end 2023. (Refer to Table 5.) Countering this trend, the proportion of FHLB bonds held by life insurers decreased to approximately \$3.0 billion, or 40% of the total at year-end 2024, down from \$3.8 billion, or 44%, at year-end 2023. Similar to prior years, life and P/C insurers together continued to account for approximately 90% of total FHLB bond exposure for all U.S. insurers.

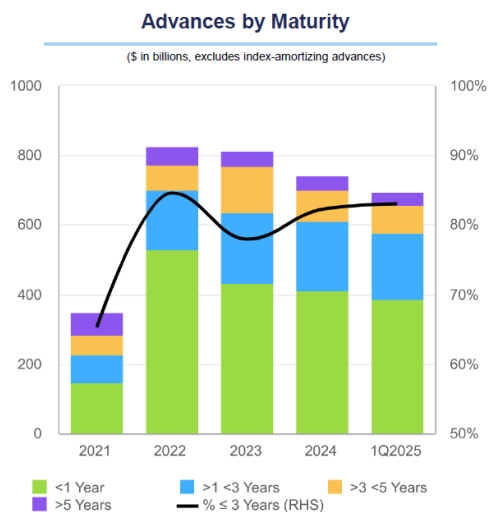
**Table 5: U.S. Insurers' Year-End 2024 and 2023 Exposure to FHLB Bonds (\$ BACV in millions)**

Statement Type	2024	Pct of Total	2023	Pct of Total
Life	3,019.3	40%	3,756.5	44%
P/C	3,678.0	49%	3,685.7	43%
Title and Health	770.0	10%	1,079.5	13%
Total	7,467.4	100%	8,521.7	100%

Large U.S. insurers comprised 35% of FHLB bond exposure at year-end 2024, totaling \$2.6 billion. Large life insurers accounted for 76% of large insurers' FHLB bond investments (\$2.0 billion), as they comprise a greater portion of large insurers than the P/C industry.

FHLB System—Advances, Pledged Collateral, and Debt at Year-End 2024

Total assets for the entire FHLB system, which includes 11 government-sponsored enterprises, were almost \$1.3 trillion at year-end 2024, consistent with year-end 2023.² Advances, or lent funds, to all FHLB members totaled \$737 billion in 2024, which was a decrease from \$810 billion in 2023. (Refer to Chart 4.) Other FHLB assets (cash and liquid investments, long-term investment securities, and mortgage loans held) increased over the same time frame, resulting in effectively no change to total assets under management from 2023 to 2024. In 1Q 2025, total assets for the FHLB system decreased slightly to \$1.2 trillion, due in part to the same trends, meaning a decrease in total advances to all FHLB members to \$694 billion, along with coinciding small increases in the three other FHLB asset types. While FHLBs tend to offer cheaper funding than other institutional lenders, the decrease in advances may, in part, be attributed to relatively high inflation (i.e., above the Federal Reserve's 2% target) and uncertainties regarding the status of interest rates and the economy in general. In addition, at year-end 2024, about 80% of FHLB advances had a term of less than three years, which decreased slightly as of 1Q 2025.

Chart 4:

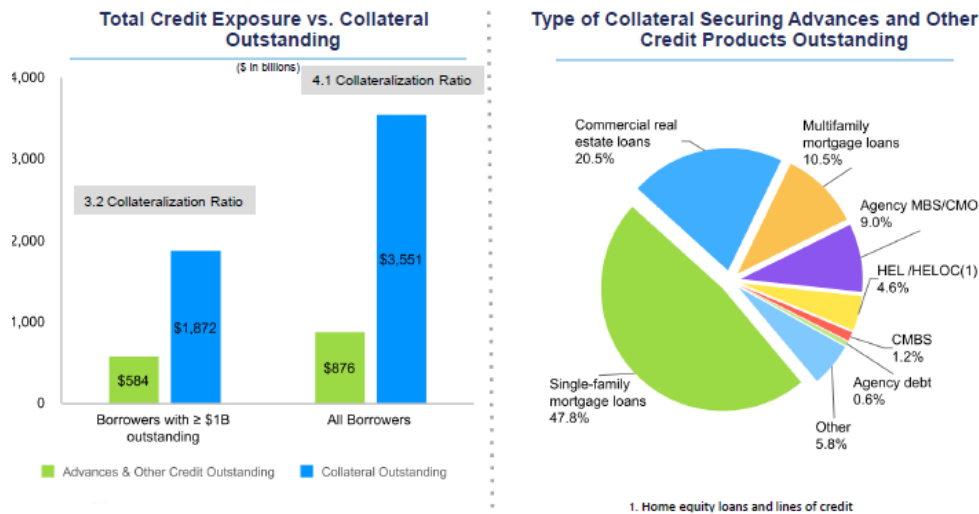
² FHLB Investor Presentation, June 2025.



Source: FHLB Investor Presentation, June 2025.

According to the Combined Financial Report, collateral securing FHLB advances and other credit products totaled \$3.6 trillion, with about half of the collateral consisting of single-family mortgage loans. The second largest collateral type was commercial real estate loans at 20.5%. (Refer to Chart 5.) When adding other FHLB credit exposures to advances outstanding, this translates to an overcollateralization ratio of 4.1.

Chart 5:



Source: FHLB Investor Presentation, June 2025.

As stated in the Combined Financial Report, the FHLB issues senior unsecured bonds through its Office of Finance, and they are the primary funding source not only to make advances but also to purchase mortgage loans and other investments. The bonds are “joint and several” obligations of the FHLB system, meaning that all 11 regional banks are responsible for the full and timely payment of principal and interest on the bonds regardless of which FHLB bank issued them. The FHLB senior unsecured bonds are rated AA+ and AAA by S&P Global and Moody’s, respectively. At year-end 2024, the FHLB had almost \$1.2 trillion in outstanding consolidated obligations according to the Combined Financial Report, which was about 90% of FHLB total liabilities and capital, and consistent with year-end 2023. As of 1Q 2025, FHLB outstanding consolidated obligations decreased to about \$1.1 trillion.

The FHLB maintains a liquidity portfolio of cash and short-term investments for protection in the event of a market disruption that could result in its inability to access the capital markets. The FHLB liquidity portfolio totaled \$264 billion at 1Q 2025, increasing from \$219 billion at 1Q 2024, and it was about 20% of the FHLB’s total assets. Consistent with prior years, the largest short-term asset was reverse repos, at 37.4% of the total, and 22% included U.S. treasuries.

The NAIC Capital Markets Bureau will continue to monitor trends with U.S. insurers’ exposure to the FHLB and report as deemed appropriate.



Questions and comments are always welcome. Please contact the Capital Markets Bureau at CapitalMarkets@naic.org.

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