Federal Home Loan Bank Stock Changes
A Recommendation by the American Academy of Actuaries
Life-Risk Based Capital Committee

Presented to the National Association of Insurance Commissioners
Life Risk-Based Capital Working Group
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**Recommendation:**

Change the RBC factor for the stock of the Federal Home Loan Bank (FHLB) from 2.3% to 0.8%. Change the RBC pretax factor to 1.1% for the sensitivity test.

**Explanation:**

The FHLB stock RBC factor was originally set equal to that of a Class 1 Preferred Stock. At that time, the preferred stock RBC factors were set equal to the comparable bond factors plus 2%. As a result, the FHLB RBC factor was set at 2.3%. In 1997, when a separate study of preferred stock experience was completed, the Class 1 factor for preferred stock was changed from 2.3% to 0.9%. The FHLB RBC factor was not considered nor changed. This recommendation belatedly corrects for this oversight and restores it to its original intent--making it equivalent to the Preferred Stock Class 1 RBC factor again.