

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

AB 1781 (Michelle Rodriguez) – As Introduced February 9, 2026

SUBJECT: Federal Home Loan Banks

SUMMARY: Prohibits a Federal Home Loan Bank (FHLB) from being stayed, enjoined, or prohibited from exercising or enforcing any right or cause of action against collateral pledged by an insurer-member or an FHLB insurer-member under any FHLB security agreement.

Specifically, **this bill:**

- 1) Prohibits a receiver, rehabilitator, liquidator, or conservator from voiding any transfer of, or any obligation to transfer, money or other property arising under or in connection with any FHLB security agreement with an insurer-member unless the transfer was made with actual intent to hinder, delay, or defraud either existing or future creditors.
- 2) Defines “Federal Home Loan Bank” as an institution that is established under the Federal Home Loan Bank Act (12 U.S.C. Sec. 1421 et seq.)
- 3) Defines “insurer -member” as an insurer that is a member of a Federal Home Loan Bank.

EXISTING LAW: Provides for the regulation of insurers, agents and brokers, and other insurance-like organization by the Insurance Commissioner, and imposes a broad range of financial solvency, licensing and market behavior requirements, as set forth in the Insurance Code.

FISCAL EFFECT: Non-Fiscal

COMMENTS:

- 1) *Purpose of bill:* According to the Author, “AB 1781 provides important clarity in California law regarding the treatment of collateral pledged by insurance companies to the Federal Home Loan Bank (FHLB) system. Insurance companies rely on stable and affordable liquidity to meet their obligations, particularly during periods of financial stress. The FHLB system plays a critical role in providing that liquidity through secured advances, just as it does for banks and credit unions.

However, unlike those institutions, current California law does not explicitly address how FHLB pledged collateral is treated in the event of an insurance company receivership. This lack of clarity creates uncertainty for insurers, regulators, and financial markets, which can ultimately restrict access to liquidity and weaken a key financial backstop.

AB 1781 addresses this issue by confirming that FHLBs retain their rights as secured lenders with respect to pledged collateral. The bill does not alter creditor priority, secured lending standards, or policyholder protections. Instead, it establishes a clear and consistent legal framework that aligns California with federal standards and with more than thirty other states that have already adopted similar provisions.

By reducing uncertainty and strengthening insurer access to liquidity, AB 1781 helps promote financial stability and ensures that insurance markets can continue to serve consumers effectively, especially during times of economic stress.”

- 2) *Background:* FHLBs are government-sponsored enterprises regulated by the Federal Housing Finance Agency. They serve the public by providing readily available, low-cost sources of funds that are used for mortgages, as well as housing and community developments. There are currently 11 FHLBs in the United States, with coverage reaching all 50 states, including the District of Columbia and U.S. territories.

Insurance companies rely on access to reliable, low-cost liquidity to manage claims activity and periods of financial stress. Like banks and credit unions, insurance companies that are members of the FHLB system obtain secured advances backed by eligible collateral, including mortgages, mortgage-backed securities, and U.S. Treasuries. These advances are made in the ordinary course of business and are a well-established source of liquidity.

Under existing law, however, there is no explicit statutory language addressing the treatment of collateral pledged to FHLBs when an insurance company enters receivership. While FHLBs believe they already operate as secured lenders under current law, the absence of clear, express provisions creates uncertainty around whether pledged collateral could be subject to stay or voidable transfer provisions during receivership. This uncertainty does not exist for banks and credit unions, which receive explicit protections under federal law.

The lack of clarity can result in inconsistent interpretation and uncertainty for insurers, regulators, and market participants, potentially leading to more conservative liquidity terms or reduced access to advances for California-domiciled insurers. This weakens an important liquidity backstop during periods of financial stress, despite no underlying policy difference between insurer members and other FHLB members.

AB 1781 addresses this issue by expressly clarifying the treatment of FHLB-pledged collateral in an insurance company receivership and confirming that FHLBs retain their rights as secured lenders. The bill establishes an orderly framework without changing creditor priority, secured lending standards, or policyholder protections.

REGISTERED SUPPORT / OPPOSITION:

Support

California Bankers Association
California's Credit Unions
Federal Home Loan Bank of San Francisco

Opposition

None on file.

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