FINANCIAL STABILITY (E) TASK FORCE

Draft: 3/20/26

Joint Meeting of the Financial Stability (E) Task Force
and the Macroprudential (E) Working Group
Virtual Meeting
March 16, 2026

The Financial Stability (E) Task Force met March 16, 2026, in joint session with the Macroprudential (E) Working Group of the Financial Stability (E) Task Force. The following Task Force members participated: Susan Ochs, Chair (NJ); Kaitlin Asrow, Vice Chair, represented by Avani Shah (NY); Mark Fowler represented by Lori Brock (AL); Michael Conway represented by Rolf Kaumann (CO); Joshua Hershman represented by Ken Cotrone (CT); Michael Yaworsky represented by Bradley Trim (FL); Doug Ommen represented by Kim Cross (IA); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Patrick Olsen (KS); Marie Grant represented by Gilbert Mendoza (MD); Grace Arnold represented by Fred Andersen (MN); Angela L. Nelson represented by John F. Rehagen (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); Judith L. French represented by Tracy Snow (OH); Glen Mulready represented by Eli Snowbarger (OK); TK Keen represented by Paul Throckmorton (OR); Michael Humphreys represented by Diana Sherman (PA); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Michael Wise represented by Ryan Basnett (SC); Amanda Crawford represented by Jamie Walker (TX); Scott A. White represented by Dan Bumpus (VA); and Nathan Houdek (WI). The following Working Group members participated: Bob Kasinow, Chair (NY); William Arfanis and Ken Cotrone (CT); Tom Hudson (DE); Carolyn Morgan (FL); Kevin Clark (IA); Roy Eft (IN); Gilbert Mendoza (MD); Steve Mayhew (MI); Fred Andersen (MN); John F. Rehagen (MO); Andrea Johnson (NE); Jennifer Li (NH); David Wolf (NJ); Diana Sherman (PA); Liz Ammerman (RI); Jamie Walker (TX); Greg Chew (VA); and Amy Malm (WI).

1. <u>Heard Opening Remarks</u>

Acting Commissioner Ochs said materials for consideration and discussion for this meeting were emailed to Task Force members and are available on the NAIC website in the Committees section under the Financial Condition (E) Committee. Materials are also available on NAIC Connect (formerly Member Connect SharePoint).

2. <u>Adopted its 2025 Fall National Meeting Minutes</u>

Eft made a motion, seconded by Sherman, to adopt the Task Force's Dec. 10, 2025, minutes (*see NAIC Proceedings – Fall 2025, Financial Stability (E) Task Force*). The motion passed unanimously.

3. <u>Heard an Update on the FSOC</u>

Ethan Sonnichsen (NAIC) reported that the Financial Stability Oversight Council (FSOC) met Dec. 11, 2025. During the meeting, U.S. Department of the Treasury (Treasury) staff provided updates on several FSOC priorities, including the Artificial Intelligence Working Group, the newly established Household Resilience and Market Resilience Working Groups, and the Crisis Preparedness Workstream. The FSOC also received a briefing on potential revisions to its Interpretive Guidance on Nonbank Financial Company Designations and its Analytical Framework for Financial Stability Risk Identification, Assessment, and Response, both of which were last updated in 2024.

Sonnichsen noted that the FSOC unanimously approved the 2025 FSOC Annual Report, which features an introductory letter from Secretary Janet Yellen highlighting the formation of the new working groups and the dissolution of prior climate-related groups. The letter also emphasized the link between economic growth, economic security, and financial stability, noting the FSOC's intent to work with member agencies to review whether aspects of the financial regulatory framework impose undue burdens on growth.

Sonnichsen stated that the Annual Report reflects key initiatives by state insurance regulators over the past year, including updates to the risk-based capital (RBC) and investment frameworks, and continued work to address property insurance market resilience and mitigation issues.

In closing, Sonnichsen noted that the NAIC continues to support the McCarran-Ferguson Restoration Act (H.R. 7130), which would grant the state insurance commissioner voting membership on the FSOC.

4. Adopted the Report of the Macroprudential (E) Working Group and Made a Referral from the Working Group to the Receivership and Insolvency (E) Task Force

Kasinow reported that the Macroprudential (E) Working Group conducted an e-vote on Feb. 11, 2026 to make a referral to the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group to implement enhanced disclosures for funding agreements that back funding agreement-backed notes (FABNs) and other similar structures. The Working Group will continue to monitor implementations and provide assistance to the Blanks (E) Working Group and Statutory Accounting Principles (E) Working Group as needed.

Kasinow stated that, in addition to FABNs, the Working Group reviewed other funding agreement-backed structures identified while researching the topic, including funding agreement-backed loans (FABLs) and funding agreement-backed municipal prepaid structures. Kasinow then turned the discussion to Tim Nauheimer (NAIC) to provide an overview of these structures.

Nauheimer described the basic structure of an FABN, in which an insurer issues a funding agreement to a special purpose vehicle (SPV) that is part of the insurer's holding company system. The SPV issues notes to investors, and the proceeds flow back through the SPV to the insurer for investment to generate a spread.

The next item discussed was FABLs, which operate similarly to FABNs but often involve unaffiliated SPV entities established to facilitate the loan arrangements. In these transactions, proceeds are provided to the insurer through a loan agreement, and collateral may be pledged to support the transaction.

Nauheimer also described funding agreement-backed municipal prepay bonds. In these structures, a municipality issues tax-exempt bonds and allocates a portion of the proceeds to prepay utility expenses. Another portion of the proceeds supports a funding agreement issued by an insurer to a non-affiliated SPV, which in turn provides backing for the municipal bonds. These structures can become complex and may warrant additional educational discussions for regulators.

Nauheimer concluded that these structures were included in the enhanced disclosure proposal submitted to the Blanks (E) Working Group and Statutory Accounting Principles (E) Working to improve transparency around funding agreement-related activities.

Kasinow noted an additional item regarding FABNs and their treatment in insurer insolvencies. FABNs generally rank pari passu (i.e., on equal footing) with other unsecured and unsubordinated obligations of the insurer. However, in certain states, insurance contract policyholders, including funding agreement holders, may not have priority over general creditors. Questions also remain regarding the treatment of foreign bondholders and foreign-currency-denominated FABNs in an insolvency.

To address these issues, Kasinow stated that a referral has been made to the Receivership and Insolvency (E) Task Force for further review. The referral is included in the meeting materials as Attachment Four. Kasinow also reminded members that this was a joint meeting of the Financial Stability (E) Task Force and the Macroprudential (E) Working Group.

Bumpus made a motion, seconded by Mayhew, to make the pari passu referral to the Receivership and Insolvency (E) Task Force. The motion passed unanimously.

Kasinow then moved on to the final 2025 Liquidity Stress Testing LST Framework (LST Framework), including lead state guidance, which has been completed and posted to the Task Force's web page. The framework is now final. Kasinow noted that a working group initiative will begin in the third quarter of 2026 to review liability assumptions insurers use as part of the ongoing LST process.

Turning to macroprudential risk assessment, Kasinow stated that staff have updated all key risk indicators for the Macroprudential Risk Dashboard using year-end 2024 data. The next step is to schedule a Working Group call to review and adjust the risk assessment levels based on the updated data. This call is expected to occur in mid-April, after which the revised dashboard will be finalized for regulator-only use. Concurrently, NAIC staff will begin updating the dashboard with 2025 year-end data.

The Working Group plans to meet in June to review and approve the 2025 dashboard. A public summary report will be issued following approval.

Kasinow also noted that the Natural Catastrophe Risk Dashboard was approved by the Climate and Resiliency (EX) Task Force, and the public portion of the report has been released. This work initially originated within the Working Group before being transitioned to the Climate and Resiliency (EX) Task Force. The results from the Natural Catastrophe Dashboard are incorporated into the broader Macroprudential Risk Dashboard to provide a comprehensive view of systemic exposures and interconnected risk factors.

Finally, Kasinow provided an update on the 13 considerations developed by the Working Group related to private equity ownership of insurers. Tracking of these items has been updated and posted to the Macroprudential (E) Working Group's webpage as of the 2025 Fall National Meeting. The group continues to focus on heightened monitoring of the thirteenth consideration regarding cross-border reinsurance. Once the 2025 year-end data becomes available, the Working Group will reassess exposures by reinsurance type, assuming jurisdiction, product type, and affiliated transaction level.

Sherman made a motion, seconded by Arfanis, to adopt the report of the Macroprudential (E) Working Group (Attachment One). The motion passed unanimously.

5. Received an Update from the Valuation Analysis (E) Working Group

Andersen reported that the Valuation Analysis (E) Working Group addresses issues related to principle-based reserving (PBR) and asset adequacy analysis. Its recent work has focused on the development and implementation of *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) and *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55), which were adopted to strengthen oversight in specific areas of emerging risk.

AG 53 addresses complex assets held by life insurers. Andersen explained that certain companies have been projecting relatively high investment returns from these assets to support future policyholder claims. The Working Group's reviews have emphasized the importance of assessing the risk that such returns may not be realized and ensuring that reserve projections are not overly reliant on optimistic performance assumptions. Over the past three years, this effort has led to the identification and remediation of several instances where companies were assuming outlier-high returns for specific asset types. The initiative has also fostered constructive dialogue among regulators, insurers, and actuarial and investment professionals, improving coordination and understanding of complex asset risk dynamics.

Andersen noted the formation of the new Investment Analysis (E) Working Group, which will provide further opportunities for collaboration between actuaries and investment specialists. The Valuation Analysis (E) Working Group and Investment Analysis (E) Working Group will coordinate on topics that intersect both actuarial modeling and investment risk. One emerging area of focus involves identifying potential unmodeled risks contributing to elevated gross return assumptions. Andersen explained that traditional actuarial models typically address cash flow behavior across interest rate scenarios with relatively simple treatment of defaults, and additional drivers of asset underperformance may not be fully captured. The Valuation Analysis (E) Working Group plans to present findings from this deeper risk review at a future meeting.

Andersen then provided an update on AG 55, which was developed after identifying a potential gap in the assessment of reserve adequacy for business ceded through certain reinsurance transactions. The guideline was adopted in 2025, and the first required reports are due April 1, 2026. A review team is prepared to begin prioritizing submissions once received, with the goal of presenting initial general findings at the 2026 Summer National Meeting.

6. Heard an International Update

Jan Bauer (NAIC) reported that the International Association of Insurance Supervisors (IAIS) has implemented its new committee-level structure announced last year. Working groups relevant to macroprudential supervision remain the same; the Macroprudential Monitoring Working Group (MMWG) and the Macroprudential Supervision Working Group (MSWG) now report to the Monitoring and Risk Assessment Committee (MRC) and the Standards and Supervisory Practices Committee (SSC), co-chaired by Director French.

The MMWG has launched the 2026 Global Monitoring Exercise (GME), which will culminate in the year-end *Global Insurance Market Report* (GIMAR). The group has met virtually to plan this year's work and expects to meet in person in May to advance analysis of both the individual insurer and sector-wide monitoring components.

Bauer noted that the MSWG is developing its 2026–2027 work plan, following publication of the 2025 Issues Paper on Structural Shifts in the Life Insurance Sector. Upcoming work will include enhanced monitoring of alternative assets and asset-intensive reinsurance, further systemic risk analysis using new data, and development of supervisory guidance.

Bauer also provided an update on the IAIS Climate Risk Steering Group (CRSG), which has developed two member-only reports: one focused on climate-related metrics for supervisory reporting, and one focused on the integration of climate change into catastrophe modeling. Updated climate-related data questions for the 2026 GME will feed into this year's GIMAR.

Having no further business, the Financial Stability (E) Task Force and Macroprudential (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/E CMTE/FSTF/2026/Virtual Meetings/031626/ Minutes

Draft: 3/27/26

Financial Stability (E) Task Force
and the Macroprudential (E) Working Group
E-Vote
February 11, 2026

The Financial Stability (E) Task Force conducted an e-vote that concluded Feb. 11, 2026, in joint session with the Macroprudential (E) Working Group. The following Task Force members participated: Kaitlin Asrow, Vice Chair, represented by Bob Kasinow (NY); Heather Carpenter represented by David Phifer (AK); Joshua Hershman represented by William Arfanis (CT); Doug Ommen represented by Carrie Mears (IA); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt (KS); Michael T. Caljouw represented by John Turchi (MA); Marie Grant represented by Jessica Blackmon (MD); Angela L. Nelson represented by John F. Rehagen (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning (NE);Glen Mulready represented by Eli Snowbarger (OK); TK Keen represented by Paul Throckmorton (OR); Michael Wise represented by Ryan Basnett (SC); Amanda Crawford represented by Jamie Walker (TX); and Nathan Houdek (WI). The following Working Group members participated: Bob Kasinow, Chair (NY); Anthony Quandt, Vice Chair (NE); William Arfanis (CT); Tom Hudson (DE); Carrie Mears (IA); Roy Eft (IN); John Turchi (MA); Steve Mayhew (MI); Fred Andersen (MN); John F. Rehagen (MO); Jennifer Li (NH); David Wolf (NJ): Jamie Walker (TX); Greg Chew (VA); and Amy Malm (WI).

1. <u>Referred a Proposal to the Statutory Accounting Principles (E) Working Group</u>

The Task Force and Working Group conducted an e-vote that concluded Feb. 11 to refer a proposal to the Statutory Accounting Principles (E) Working Group regarding: 1) the incorporation of a new disclosure into *Statement of Statutory Accounting Principles* (*SSAP) No. 52—Deposit-Type Contracts*; and 2) the Task Force chair sponsoring a blanks proposal to incorporate new footnote disclosures into Exhibit 7: Deposit-Type Contracts.

Eft made a motion, seconded by Chew, to refer the proposal to the Statutory Accounting Principles (E) Working Group. The motion passed.

Having no further business, the Financial Stability (E) Task Force adjourned.

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